103

S. Hrg. 103–686

WELFARE REFORM

Y 4. AP 6/2: S. HRG. 103-686

Welfare Reform, S.Hrg. 103-686, 103...

HEARING

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED THIRD CONGRESS

SECOND SESSION

SPECIAL HEARING

Printed for the use of the Committee on Appropriations

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WELFARE REFORM

MONDAY, APRIL 11, 1994

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:36 a.m., in room SD–192, Dirksen Senate Office Building, Hon. Tom Harkin (chairman) presiding.

Present: Senators Harkin, Stevens, and Bond.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

STATEMENT OF MARY JO BANE, ASSISTANT SECRETARY FOR CHILDREN AND FAMILIES

OPENING REMARKS OF SENATOR HARKIN

Senator HARKIN. Good morning. The Subcommittee on Labor, Health and Human Services, and Education, and Related Agencies will come to order.

Today, we will be taking a first look at an important topic on the national and congressional agenda, welfare reform. Let me say at the outset that our welfare system is failing the people it was designed to help and it is failing the American taxpayers. No one is winning, and so the time has come to fundamentally overhaul our welfare system. This subcommittee funds many of the programs—education, job training, child care, social services—that are central to this reform.

Reforming welfare will not be easy. It is a very complex problem. I commend President Clinton for placing it front and center on the national agenda, and I look forward to working with the administration and my colleagues over the next few months on this important issue.

The current welfare system had its beginning in the 1930's with the creation of Aid to Dependent Children. Society has undergone dramatic changes over the past 60 years; however, AFDC has not responded to the transformation and, despite significant past efforts, remains virtually unchanged. Tremendous societal changes have created the need for a vastly different kind of welfare system, one that does not keep parents at home, but one that prepares and supports working families. These changes require a system that provides financial support for children from both parents, even if the parents are divorced or were never married.

Last year, the State of Iowa passed and is now implementing comprehensive statewide welfare reform. In the course of this hearing, we will get a report on the Iowa Family Investment Program

from two individuals most intimately involved with it, a case manager and a welfare recipient currently enrolled in the new program.

The centerpiece of the Iowa program is the family investment agreement. This is a contract between the State and each individual family which outlines the steps that that person will take to become self sufficient. The terms of the contract are based on the unique circumstances of the family and is tailored to each individual. Recipients must meet the terms of the agreement or risk the reduction and eventual termination of welfare benefits. I believe this individual approach is very important.

Later today my colleague from Missouri, Senator Bond, and I will be introducing the Welfare to Self Sufficiency Act, which is largely modeled on the Iowa program and the innovative approaches being used in Missouri. The Welfare to Self Sufficiency Act provides welfare recipients with the training and the child care, the work experience, and other support necessary to become self sufficient and move off welfare. It includes incentives to encourage families to work and save. But most importantly, it demands that the welfare recipient take responsibility by requiring them to sign a binding contract tailored to their specific situation. Recipients who fail to sign or who fail to abide by the terms of the contract will lose their welfare benefits, period.

In just a few short months, some very good things are happening in Iowa as a result of this new program. The cost per welfare grant is down and the number of welfare recipients working is up. Let me just read the latest statistics.

Our program went into effect last fall. As of March 25, 1915, family investment agreements have been signed. As of the end of March, 27.2 percent of the welfare recipients in Iowa had earnings. In other words, they were working. That is up from 18 percent who were working when the program began on October 1 of last year. So the number of welfare recipients who are now working has gone from 18 percent to 27 percent in just those few short months.

Also important, the size of a welfare grant is continuing to decrease. The average grant size is down 5 percent from when the program began on October 1. That is moving in the right direction. So by the initial yardsticks of measurement, the program is working in Iowa.

The legislation that Senator Bond and I will be introducing also tackles the tremendous problem of those parents who fail to take responsibility for their children. Our bill would turn the collection of past-due child support over to the IRS. States would refer some of the hardest to collect cases to that Federal agency, so people can still run from State to State but they cannot hide from the IRS no matter what State they go to. And it is about time to use the IRS to start collecting child support payments. This means that parents can no longer hide from their children and they cannot hide from their responsibility.

In the interests of time, I will not go into any other details on our bill. More of that will be coming out later. This hearing will focus on the need to reform our system. Our first panel will hear from Mary Jo Bane, Assistant Secretary for Children and Families. She will be discussing the general concepts of welfare reform that will be proposed by the Clinton administration.

In addition to that, we will have witnesses from Iowa and representatives from Missouri and Utah who will share information on the experiences of welfare reform in those States. And finally, the subcommittee will receive testimony from the Department of Health and Human Services Office of Inspector General. They will present their findings and recommendations concerning the cost of certain welfare programs.

At this time, I want to yield to someone who I have worked very closely with on this legislation, someone who has as I do an intense interest in changing this welfare system to make it work, my friend Senator Bond from Missouri.

OPENING STATEMENT OF SENATOR CHRISTOPHER S. BOND

Senator BOND. Thank you very much, Mr. Chairman. First, I need to compliment you on putting this bill together. For those of you who may not know, about 6 weeks ago the chairman talked with me and asked if I would be interested in working with him on a proposal which mirrored what his State was doing. Since then, he has been more than accommodating with regard to our concerns and has included many of the ideas in the bill which come from Missouri's bill such as wage supplementation.

I should also mention how pleased I am that Carmen Schulze, director of family services from Missouri, is here to testify. Carmen and the people who work for her have been invaluable to me and my staff on a number of these issues. We worked on family preservation and support and child care, but they have added a great deal to our knowledge and understanding of this issue.

I always say that the best ideas come from home, and we are particularly pleased that people who are on the front lines in administering welfare are here to help us get a better handle on how we can reform the system. I really appreciate that, Mr. Chairman.

I believe this committee has a very important role to play in the welfare-reform debate. As the chairman has already pointed out, while we do not have direct jurisdiction over the Social Security Act program like AFDC, the committee does fund many of the family support, training, and education programs which help the working poor stay off of welfare.

In the last 2 or 3 months, the debate over welfare reform ideas has taken place largely in the editorial pages. Several bills have been introduced recently. We understand several other bills are in the works right now. As the chairman mentioned, we are ready to introduce the first bipartisan plan, and I think it is very important to recognize that this is the ultimate bipartisan work. It comes from a Democratic Senator with a Republican administration in his State and a Republican Senator with a Democratic administration in his State. I would hope that we would find common ground, because whether you are a Democrat or Republican you know the system is not working.

I just shared with the chairman my experiences. I have traveled around the State in the last 2 weeks. I got trapped in a snow storm, and all that the people in the lumber yard wanted to talk about was the need for welfare reform. So I believe that this is something that requires bipartisan cooperation.

Our plan, I think, has a number of strengths in comparison with other approaches now being proposed. First, the philosophy behind the family investment agreement, as it is in Iowa, or the Family Self-Sufficiency Act as it is known in Missouri, truly breaks new ground. For the past 30 years, government has said if you meet our income guidelines you are entitled to aid, for years and years and years if necessary.

Our approach is to say that government has a responsibility to provide for those in need; however, those in need have a responsibility to work toward self-sufficiency. Work, jobs, keeping the family together, should be the central focus point of any welfare reform. I believe that this philosophy, implemented through the family investment agreements, has the potential in getting large numbers of people to move off the system and into self-sufficiency. The initial reports from Iowa certainly tend to confirm that view.

Our bill, based on what our respective States are doing or propose, also makes it easier for young women with children to move off the rolls. One of the biggest criticisms I have heard of the present system is that it penalizes work. Women who are able to find part- or full-time jobs are not able to keep very much of what they earn nor are they able to save it, nor are they able to keep their Medicaid and child care benefits for long once they start working because the benefits are immediately cut.

Our bill would allow States to experiment with a number of incentives to work such as limited allowances to continue receiving benefits while working, which we think moves in the absolutely necessary and right direction. We also permit welfare families to save money for education or home purchasing purposes, and, finally, we would extend the transitional child care benefits from 12 months to 2 years.

The final important point I would like to make before we hear from the witnesses, I believe this bill represents real welfare reform. We do not go outside the existing system for cost savings. We pay for our bill by reforming the administrative cost reimbursement system for AFDC, food stamps, and Medicaid. We will require that the income and resources of the sponsors of legal aliens be counted in determining the eligibility of those persons for AFDC and other means-tested Federal benefit programs until they become naturalized citizens. We will not increase taxes nor cut discretionary spending to pay for the program. We pay for our ideas by trimming the excesses of the current system.

I think this bill has a number of other good provisions. I would urge and invite my colleagues to look at them, and we also want the interested parties, both in the public sector and the private sector, to take a strong look at it. Mr. Chairman, I join you in looking forward to the testimony of our witnesses.

Senator HARKIN. Thank you very much, Senator Bond. Again, let me reciprocate by thanking you and your staff for the close working relationship on this. I truly believe that we have a good bipartisan approach here, and as you indicated in your opening remarks, this must be a bipartisan effort. It must be done, and it must be bipartisan.

I believe that people of good will with the intention to cut our cost and get people out of welfare and to work can cooperate to

make this bill a reality. So I look forward to working with you and our other colleagues in seeing this bill get through as rapidly as possible.

I see our esteemed colleague from Alaska has joined us, Senator Stevens. If you have any opening comments we would be glad to receive them.

OPENING STATEMENT OF SENATOR TED STEVENS

Senator STEVENS. Thank you, Mr. Chairman. I am just back from Alaska, as a matter of fact, and I would like to tell you that I ask that you let me cosponsor the bill that you are going to offer. I find a great interest in Alaska in the subject, and I hope to work with you and the Senator from Missouri on it.

Senator HARKIN. I am delighted and proud to have you on it, Senator Stevens.

Senator STEVENS. Thank you.

Senator HARKIN. Thank you very much.

SUMMARY STATEMENT OF ASSISTANT SECRETARY MARY JO BANE

Our first witness is Mary Jo Bane, Assistant Secretary for the Administration for Children and Families, U.S. Department of Health and Human Services, and without objection, Ms. Bane, your full statement will be made a part of the record. Please proceed as you so desire.

Ms. BANE. Thank you, Mr. Chairman and members of the subcommittee. Thank you so much for the opportunity to be with you this morning to discuss welfare reform.

As you know, last June the President appointed a working group on welfare reform to develop a plan for reforming welfare which was built around the basic values of work and responsibility. For the past 10 months, I along with the other two cochairs, David Ellwood and Bruce Reed, and the rest of the working group, have been visiting programs, talking to welfare recipients, and meeting with many concerned people around the country to understand both what is wrong with our current system and what we have learned about good ways of developing strategies for change.

We have heard as you have time after time stories that show that our current system really is at odds with the core values that Americans share, values of work, family, opportunity, and responsibility. While we all believe that work is central to the strength, independence, and pride of American families, the present reality is that people who go to work are often worse off than they are on welfare, and we need to change that.

While the President has made no final decisions about welfare reform legislation, the working group has made substantial progress in refining the options under consideration. Throughout its work and deliberations, the working group has been operating under the following set of common principles:

First of all, work must pay. We must make sure that participation in the work force is more rewarding than being on welfare.

Second, welfare must be a program of transitional assistance. We must provide more and better support to families in getting off welfare, in getting the education, training, and employment that they

need to become economically independent. We must provide for a time certain beyond which people who can work will work.

Third, people should not have children until they are able and ready to support and nurture them. Parents have responsibilities to their children. In this regard, we must do better at establishing paternity and enforcing child support orders.

Fourth and finally, we must change the culture of welfare offices, getting them out of the business of writing checks and into the business of finding people jobs and giving them the skills and support to keep those jobs.

Through the Family Support Act and other State and local initiatives, many of which you will hear about today, we have all gained a better understanding of how our welfare and child support enforcement systems work and about the effectiveness of some alternative program models. We have heard, and I know you will hear today, compelling testimony from clients who made strong arguments for the need to change the welfare system.

We heard such revealing and impassioned statements as one which came from a welfare recipient:

> I think it is like a roller coaster. Once you get up there you realize you cannot pay for medical, you cannot pay for child care, you cannot pay for transportation, and then you wonder why you are working. It does not make any sense why you are putting in all those hours, all that work. You are not getting anywhere. It is like a vicious circle that everyone gets caught up in.

We know that education, training, and employment programs implemented in a variety of circumstances can substantially reduce welfare dependency. We also know that the Jobs Program must work with traditional education and training providers as well as with community-based organizations, community colleges, economic development programs, literacy initiatives, Head Start programs, child care programs, and family resource centers in order to provide the broad range of services that jobs participants so often need. We need to foster programs like many of those that exist in your State and that I visited with you which help coordinate and integrate services in order to better meet the needs of at-risk families.

At the Federal level, too, we must continue to work with other Federal agencies to enhance the coordination of human resource development programs and to develop new and better approaches to providing integrated services to welfare recipients.

PREPARED STATEMENT

In summary, Mr. Chairman, the working group has been very encouraged, both by the wide degree of consensus we have found over the need to reshape the welfare system and by the models of reform that we have seen. Across the country and across the political spectrum people agree that our goal is a system that supports work and responsibility.

We very much look forward to working with you, with your colleagues, with the committee, to meet the enormous and historic challenge that we all face in reforming welfare.

Thank you.

[The statement follows:]

Statement of Mary Jo Bane

Mr. Chairman, Members of the Committee, thank you for the opportunity to appear before your Committee this morning. As one of the co-chairs of the President's Working Group on Welfare Reform, Family Support and Independence, I am very pleased that you have provided us this opportunity to discuss the Administration's views on reforming the welfare system.

INTRODUCTION

Last June, the President appointed a Working Group on Welfare Reform, Family Support and Independence to develop a plan for reforming welfare which was built around the basic values of work and responsibility. For the past nine months, I, along with David Ellwood, Bruce Reed and the rest of the Working Group, have been visiting programs, talking to welfare recipients, and meeting with many concerned people around the country to understand what is wrong with our present system and to develop strategies for change.

We found that our current system is at odds with the core values Americans share: work, family, opportunity, responsibility. While we believe that work is central to the strength, independence and pride of American families, the present reality is that people who go to work are often worse off than those on welfare.

Instead of giving people access to needed education, training and employment, the welfare system is driven by numbingly complex eligibility rules, and staff resources are spent overwhelmingly on eligibility determination, benefit calculation and writing checks. The culture of welfare offices seems to create an expectation of dependence rather than independence. Noncustodial parents often provide little or no economic or social support to the children they parented, and single-parent families sometimes get welfare benefits and other services that are unavailable to equally poor two-parent families. One wonders what messages this system sends to our children about the value of hard work and the importance of personal and family responsibility.

While the President has made no decisions about a final welfare reform plan, the Working Group has made substantial progress in refining the options under consideration. Throughout its work and deliberations, the Working Group has been operating under the following set of common principles:

Welfare reform must give people back the dignity and control that comes from work and independence. It must be about reinforcing the values of work, family, opportunity, and responsibility. The current system pays cash when people lack adequate means to provide for their families. We must realize the vision of the Family Support Act and transform the current welfare system into transitional assistance followed by work.

Our new vision is aimed at helping people regain the means of supporting themselves and at holding people responsible for themselves and their families. Work must pay. We must make sure that participation in the workforce is more rewarding than being on welfare. The Administration has made substantial progress towards this goal. With the recent expansion of the Earned Income Tax Credit, we substantially increased the income of working poor families. However, we also need passage of the Health Security Act to help ensure that welfare recipients and other families can accept work without jeopardizing their health care coverage. One of the unfinished, yet essential elements of making work pay, is ensuring that adequate child care is available to enable parents to go to work.

Welfare must be a transitional assistance program. We must provide more and better support to families in getting the education, training and employment they need to become economically independent. But we also must expect work in return.

People should not have children until they are able and ready to support and nurture them. Parents—both custodial and noncustodial parents—have responsibilities to support their children. In this regard, we must do better at establishing paternity and enforcing child support orders.

Most important, we must change the culture of welfare offices, getting them out of the business of writing checks and into the business of finding people jobs and giving them the skills and support to keep these jobs.

Finally, we must provide for a time certain beyond which people who can do something do not get a check for doing nothing.

The need for change

Members of the Working Group on Welfare Reform, Family Support and Independence have devoted a great deal of time and effort over the past ten months trying to learn firsthand about how the existing welfare and child support systems work, how they affect both clients and workers, where the problems are, and where

some of the potential solutions are. We visited welfare and child support offices, talked to clients and staffs, and observed the application process. We also conducted five public hearings throughout the country; we listened to eloquent and often impassioned testimony from individuals and organizations about the strengths and flaws in the current system, as well as their ideas on how to fix it. Everywhere we went, we heard agreement about the need for significant change.

The most compelling testimony came from clients who were frustrated by barriers that were placed in their way when they attempted to assume responsibility for supporting their families. Their stories make a very strong argument for the need to make changes in the organizational culture of the system. We heard such revealing and impassioned statements as "I think it's like a roller coaster. Once you get up there, you realize you can't pay for medical, you can't pay for child care, you can't pay for your transportation and then you wonder why are you working. It doesn't make any sense why you're putting in all these hours and work and you're not getting anywhere. It's like a vicious cycle that everyone gets caught up in."

At our Washington hearing, individuals with welfare experience—Patty Lesefske from Silver Spring, Md., and Sheila Wier and Monique Nickens from Virginia—testified about the current system's inability to respond to their desires to become independent and self-sufficient. They expressed determination to do more than collect a welfare check so that they could end the emotional and financial devastation of being needy and provide a stable environment for their children. But they also spoke about how their determination was thwarted by an unyielding and unresponsive welfare system which punished them for trying to become independent. They cited their inability to obtain support services like child care and training, which were theoretically available but difficult to access. They also spoke about how hard the system came down on them when they took the initiative to get a job and how difficult it was to become financially secure without child support or medical coverage.

In observing eligibility interviews in welfare offices across the country, I think all of us were struck by how strongly the system continues to focus on applicant paperwork, rather than aspirations and needs. Time and again we heard from clients:

"They give you a whole lot of papers to sign but they don't explain them to you."

"The welfare office needs to find out what your problem is when you walk in there. Everybody who walks in that door had something happen to them that made them financially dependent that they needed to go for help."

"They [welfare workers] can [help] but they don't want to."

During these encounters the most important question may never be asked: "What can we do together to help you begin the process of becoming independent?"

It was disappointing to us that we did not hear this question more often. As you know, through the Family Support Act of 1988, Congress made major changes to the welfare system and the child support enforcement program, which were designed to focus these systems on family independence. That legislation made major changes to incorporate the principles of work and responsibility into the welfare system. It set in place expectations that families—not the government—are first and foremost responsible for the well-being and support of their children; that even if they do not live with their children, parents are obligated to support them. It recognized the need for investment in the education, training and employment of welfare recipients, as well as in child care and medical assistance which help them transition from welfare to work. It also introduced the expectation that welfare recipiency is a transitional period of preparation for self-sufficiency.

We have only made a down payment on the Family Support Act's goals for welfare reform. While States have met most of the formal implementation goals of the legislation to date, we cannot say that the full promise of the Family Support Act has been met. Just as States were attempting to implement this major legislation, the child support caseloads were growing increasingly complex, and AFDC programs were experiencing extraordinary increases in caseloads (i.e., 33 percent growth between July 1989 and July 1993). These changes strained available staff resources and agency budgets. Also, recession-related State budget shortfalls were temporarily making it very difficult for States to commit the State dollars necessary for accessing Federal matching funds, and demographic trends indicated that problems with long-term welfare dependency were likely to continue to grow. Within this difficult environment, institutional inertia slowed progress, and we learned firsthand about the difficulties inherent in changing the culture and mission of large institutional systems.

A different scenario

I do not want to imply that no progress is being made. We have found notable examples of States and communities that have refocused their welfare programs and changed their organizational culture. I'd like to highlight a couple.

Riverside

The first is in Riverside, California, one of the six counties being evaluated by the Manpower Demonstration Research Corporation (MDRC) as part of its study of the GAIN program. (GAIN is the name of the JOBS program in California.) I had the pleasure of visiting the JOBS program in Riverside last summer. This program provides a marvelous example of what it means to institute a change in agency culture. Everywhere I turned in the Riverside office, I saw the same clear, simple, and unequivocal message. The purpose of everyone there is to get AFDC clients employed. I heard the same message from Larry Townsend, the county director, as from line workers and recipients. It is conveyed during orientations, job clubs, and at all opportunities; it is also presented in slogans on posters, bumper stickers and lapel buttons. Work is valuable, and it is the means to a real future.

Staff understand what is expected of them. They are enthusiastic about their work and are able to transfer that enthusiasm to their clients. They are given the tools to accomplish their jobs, and they are empowered to meet their clients' needs. They have manageable caseloads and the flexibility to provide services on a case-by-case basis. They are responsible not just for getting clients employed, but also for resolving problems that might keep them from staying employed. The emphasis on employment is reinforced through very specific placement goals, an aggressive job development and placement process, performance-based contracts, and ongoing, hands-on case management. Individuals needing education and training services can get them, but services are provided only in the context of a specific work objective.

Using this approach, the Riverside program has been able to achieve the largest impact among any of the six counties in the GAIN evaluation and the most significant impact we have ever seen in any large-scale study of welfare-to-work programs. After two years, the Manpower Demonstration Research Corporation (MDRC) found average increases in earnings by the experimental group of $2,099, or 55 percent (over the control group average), and reductions in welfare payments of $1,397, or 14 percent (again compared to the control group average).

While the results in Riverside county need longer-term evaluation, I think it is clear that changing the organizational culture makes a very big difference. It is important that the managers of welfare agencies convey the message about the value of work and responsibility clearly to staff and sufficient numbers of recipients. If the vast majority of adult recipients are exempt, deferred or excused (as happens in minimal JOBS programs), it is impossible to change the organizational culture of the system.

Washington State

State innovation in the child support arena also has led to program improvements which can be and have been expanded nationally. In fact, the mandate for early in-hospital paternity establishment, one of the key child support legislative initiatives recommended by the President and enacted in the Omnibus Budget Reconciliation Act of 1993, capitalized on some of the pioneering State innovations.

One such program I would like to highlight is Washington State's paternity acknowledgement program. In Washington, the fact that one out of four children are born out-of-wedlock coupled with the recognition of the "at risk" nature of these children led to a change in legislation in 1989.

Instead of referring cases to Prosecuting Attorneys or Attorneys General, which traditionally resulted in delay and poor performance, under the program, physicians, midwives and hospitals provide unmarried mothers and fathers the opportunity to voluntarily acknowledge paternity.

Parents are presented with information about the benefits and responsibilities of establishing paternity and are given the opportunity to voluntarily acknowledge paternity at the hospital. The decision to cooperate is fostered by approaching the parents at a time when they are happy and proud.

The program has been very successful in achieving voluntary acknowledgements of paternity, estimated at approximately 40 percent of out-of-wedlock births. State officials believe that, as these programs improve, rates may go much higher. We are convinced that this Administration's new in-hospital paternity legislation will provide a key step toward universal paternity establishment.

Teen parents

Other examples of programs that have incorporated a change in organizational culture are some demonstration projects focused on teen parents. Recent research findings from these projects have demonstrated that it is possible to have large-scale mandatory programs for teen parents that produce results. First, the Teen Parent Demonstration Program, which operated in Camden and Newark, New Jersey, and Chicago, Illinois, showed that teen mothers on AFDC who were part of a mandatory training and supportive services program achieved and sustained significantly higher rates of school attendance and employment. Furthermore, a commitment to universal mandatory participation can greatly affect the organizational culture; participation requirements substantially changed the expectations and motivation of staff as well as their teenage clients. Ohio's Learning, Earning and Parenting (LEAP) demonstration program (after three years of implementation) is also showing encouraging interim results in terms of significantly increasing school retention and getting teens to return to school or adult education.

Service to teen parents is another area where the promise of the Family Support Act has not been met. The Act requires States to place teen parents who have not finished high school in educational activities even if they have a young child (and would otherwise be exempt from JOBS requirements). Unfortunately, as the General Accounting Office has reported, implementation of this provision has been very uneven across the States. Participation has been by no means universal; for some, there has been little or no service intervention.

We believe that the Family Support Act is absolutely right in its emphasis on serving teen parents. We must work together with the States to see how to implement requirements for teen parents more effectively. In this context, we are concerned not just with their progress in becoming self-sufficient, but other types of outcomes such as delaying further childbearing, better child outcomes and better parenting.

Link with child care

Child care is critical to the success of the JOBS program and to our efforts to reform the welfare system. It is essential that we provide child care support for parents receiving assistance who will be required to participate in education, training and employment. It is also essential that we provide child care support for low-income families in order to "make work pay" and enable parents to remain in the work force.

This Administration already has taken steps to move in this direction. In President Clinton's fiscal year 1995 budget, there is an increased financial commitment to strengthening the current child care programs. For example, the budget includes a request of almost $1.1 billion for the Child Care and Development Block (CCDBG) which focusses federal funds on families needing child care because a parent is working, or attending a training or educational program, or because the family is receiving or needs to receive protective services. CCDBG is also the principal source of Federal support to strengthen the quality and enhance the supply of child care. The request represents an increase of $172 million in discretionary child care funding (compared to the amount provided in fiscal year 1994) for the CCDBG and the three smaller discretionary programs that we are proposing to consolidate with the CCDBG in fiscal year 1995.

In addition, the President has demonstrated his strong support for the Head Start program, which primarily serves children from low-income families—84 percent of the children are from families with incomes under $12,000 and over 50 percent of the children are AFDC recipients. In his fiscal year 1995 budget the President proposed an increase of more than 20 percent in the funding level for this critical program for children from low-income families. This requested funding increase, along with the recent introduction of the Head Start Reauthorization bill, with historic bipartisan, bicameral support demonstrated a united interest on the part of the Administration, Congress, the Head Start community, and experts from the field of early childhood development in charting a course to ensure Head Start's continued success both now and into the next century.

Moving forward

Through the Family Support Act and other State and local initiatives, we have gained a better understanding of how our welfare and child support enforcement systems work and about the effectiveness of some alternative program models. The experience and perspective which recipients, advocates, community-based organizations, State and local officials, and researchers have shared with us has also been very instructive in helping us develop our proposals.

We know that education, training, and employment programs implemented in a variety of circumstances can substantially reduce dependency; recent findings from the evaluations of California's Greater Avenues for Independence (GAIN) program and Florida's Project Independence reaffirm this belief. According to MDRC's preliminary findings of the GAIN program in California, five of the six counties studied showed moderate-to-large gains in earnings and/or welfare savings. Across all six counties, earnings for registered single parents increased 21 percent over the control group (with higher, 24 percent increases in the second year). Welfare payments were reduced six percent (seven percent in the second year). There are some equally encouraging data regarding GAIN's effects on employment and case closures. Findings from the Florida study were similar for mothers of older children.

We also know that the JOBS program must work with traditional education and training providers, as well as community-based organizations, community colleges, economic development programs, literacy initiatives, and child care programs in order to provide the broad range of services that JOBS participants so often need. At the Federal level, we must continue to make concerted efforts to work together with other Federal agencies to enhance coordination of human resource development programs—at all levels of government—and develop new and better approaches to providing integrated services to welfare recipients.

If we are to transform the culture of the welfare system, Federal agencies—particularly ACF—need to focus more attention on how States perform in helping clients become self-sufficient. We also must provide stronger Federal leadership and make the Federal government a better partner with the States. We need to give States more help in implementing changes and adopting effective practices. We need to do a better job incorporating new technology (including national automated systems where appropriate). And we need to simplify the program rules and administrative requirements we impose on States.

In summary, Mr. Chairman, the Working Group has been very encouraged both by the wide degree of consensus we have found over the need to reshape the system and by the models of reform we have seen. Across the country and across the political spectrum, people agree that our goal is a system that supports work and responsibility. The challenge we see is that successful programs such as Riverside require nothing short of reshaping the mission and culture of the welfare system.

We look forward to working with you and the Committee to meet the enormous and historic challenge we face in reforming welfare. Changing a system that is currently too focused on writing checks and processing paper to one that truly expects people to become independent and self-sufficient may be daunting, but doing so will truly result in an end to welfare as we know it.

Senator HARKIN. Ms. Bane, thank you very much for a very succinct and to the point statement. As I said, your entire statement will be made a part of the record.

Ms. Bane, do you have any idea when we might see the President's proposal?

Ms. BANE. In the State of the Union, Mr. Chairman, the President said that the administration would introduce legislation in the spring. We still intend to do that, and we hope that we can work with you over the course of the next few months to ensure passage.

Senator HARKIN. I am just informed that spring does end on June 21.

Ms. BANE. That is my understanding as well, Senator.

Senator HARKIN. I hope it is before that.

I just have a couple of things about making work pay. First of all, let me commend the President for expansion of the earned income tax credit. I think that will go a long way toward helping. The Iowa Family Investment Program made significant changes, and of course we had to get a waiver, as we all know, to change this. But the 12-month limitation on the work transition period was eliminated, and the 30⅓ disregard was replaced by a flat 50 percent disregard for earned income.

As I pointed out in my statement, since that time we have had a marked increase—a 50-percent increase—in the number of wel-

fare recipients who now work. Now, again, people say well, you are not really saving any money because you are making the same payments to these people as you were before. But on the other hand they are working now, paying taxes. Now, I do not know how that is factored in. I have not seen that factored in in the past, and I hope that you will consider that as you come up with your proposal.

I guess my question would be how important are these incentives in getting people off the welfare roles and getting them into jobs?

Ms. BANE. As you noted, Senator, the President and the Congress last year worked together to pass an expansion of the earned income tax credit, which is very important for all working families including those on welfare. And as you know, the earned income tax credit does not in fact count as income when one is determining welfare benefits, so that provides a substantial incentive for families on welfare to work. And we think that that will begin to show effects.

In addition, we granted a waiver, as you know, not only to Iowa but to several other States who want to experiment with different ways of structuring work incentives. We have about five or six States now which have different ways of dealing with earnings, and I think we will learn a great deal from that.

Clearly, one of the proposals that the administration is considering, as you are obviously considering in your own welfare reform legislation, is a set of proposals that would allow States to make some accommodations of the sort that Iowa did.

Senator HARKIN. Let me get to the time element here.

Ms. BANE. I thought you might.

Senator HARKIN. You thought I might get to that. In the State of the Union, President Clinton mentioned 2 years and you are off welfare. Let me just say at the outset I believe there should be a time-certain. If there is not a time-certain this thing will just drag on and on and welfare recipients will just drag on and on. But I must tell you that I disagree with the 2-year time limit. I think it is too liberal. I believe by setting a time limit of 2 years, that becomes the floor rather than the ceiling.

It has been my experience with welfare recipients, not only in Iowa but around the country, that the fast majority do not need 2 years—3 months, 6 months, 10 months, maybe a year. But I swear, if you put in a 2-year time limit then people will be on it for 2 years and then they would go into these public service jobs. I am not going to get into that right now on the public service jobs. But I believe that 2-year time limit is wasteful.

The time limit ought to be specific to the individual. If that individual who is on welfare can reasonably be assumed or anticipated to get off of welfare in 3 months or 6 months, why stretch it out for 2 years? And so that is why the legislation that Senator Bond and I have come up with does not put in that 2 years. It limits it to the individual. We found in Iowa that in many cases those that have been on welfare a long time—2 years, 3 years—now, within 6 months, are getting off of welfare.

And so again, you mentioned a time-certain, and what I wanted to know is have you got any policy rationale for such a time limit

of 2 years? Is there any evidence that 2 years is the time that we should use, or is this just sort of a figure plucked out of think air?

Ms. BANE. Mr. Chairman, we obviously agree with you and share your concern that we not establish 2 years as an expected time that everyone is on welfare, because we agree with you that many people can and should get off welfare much sooner than that. And we are talking, as you are, about individualized employability plans that would ensure that those who can get off welfare more quickly and into the work force more quickly will do so, and we very much want to work with you to establish the parameters of that and figure out how to make that work.

I do believe, though, that we also need to have some expectation, some certain expectation, about a time beyond which welfare should not last. We believe that although we want to help people get off as quickly as possible we also need to send a very clear message that as quickly as possible does not mean 4 years, it does not mean 5 years, it does not mean 7 years, it means as quickly as possible and we expect you to be off within 2 years. And if you are not off within 2 years we expect you to work, as the President said, in an unsubsidized job whenever possible, in a community or public service job when necessary.

So we do not see the 2-year time limit as a guarantee in any way, but we do see the 2-year period as setting an expectation beyond which welfare would not last and beyond which a recipient would be expected to work.

Senator HARKIN. Well, I appreciate that, but again I would repeat for emphasis sake that we have done that in Iowa. I do not know of anyone who has been on that now for 2 years. It is less than that, and as long as you sign this contract and you agree to the stipulations and the conditions of it, then there is a time certain, and it is a lot less than 2 years.

I just feel that if you throw that out there like that, then it will become the floor, and people will be on it for 2 years. You can say, well, we expect you to be off earlier, and all that, but unless there is a definite contract with the welfare recipient that says, you do all of these things, the State will do these things, at the end of which you will be self-sufficient and you will be on the job, if you do not have that in there, it will be 2 years. I believe we share that concern.

Ms. BANE. We do not disagree with you about the importance of an individual employability plan that sets out very clearly responsibilities for both recipients and for the agency, and we agree with you that that plan for many welfare recipients will in fact be less than 2 years, considerably less than 2 years. We do not disagree on that. We do believe, though, that 2 years provides an appropriate limit and an appropriate expectation beyond which people should not go.

Senator HARKIN. The last question I have before I yield to my colleague has to do with the phase-in period. There has been discussion about how we might phase it in. Senator Bond's and our approach gives States flexibility in targeting the phase-in and how they want to target the phase-in.

What would be the rationale for phasing it in only for new or younger recipients who are age 21 and under? What about States

who have been targeting long-term welfare benefit recipients like Iowa, and I think also Missouri? Would that not be the better approach, and why just limit it just to those younger than 21?

Ms. BANE. The reasons for phasing in the system are probably obvious to all of us, that, whether it is your plan or the administration's plan or anybody's plan, what we are proposing is a very dramatic change in the way the welfare system works in this country, and currently many States do not have the capacity to bring about that change all at once.

As you know, I was a State welfare administrator, and it gives me nightmares to think about bringing about this kind of dramatic change in a very short time, so I think we all agree that some kind of phase-in is appropriate.

The phase-in that the administration is talking about as one possibility is a strategy which would phase-in with younger recipients, and the reason for doing that is to make sure that we start with people who have not been on welfare for a long time, for whom there is a genuine possibility of really breaking the welfare cycle, of saying to a group of people, things are really different now. We want to help you, and we want to help you and your children before you have been on welfare very long, and we want to help those young people who we believe have the most potential for really changing their lives and the lives of their children.

So that is the rationale for thinking seriously about a phase-in strategy that would start with young people.

Senator HARKIN. Thank you very much, Ms. Bane. Senator Bond.

Senator BOND. Thank you, Mr. Chairman, and thank you, Secretary Bane. We appreciate your being here today to discuss this with us. I would begin by saying that I agree very strongly with the chairman that we ought to have specific time limits for individuals based on their capacity. I am very much concerned about the discussion of the 2-year period, which sounds like it might be a grace period before anybody has to do anything, and if the intention is not to do that, I would urge the administration perhaps to look at the approach that we are taking.

Second, with respect to the phase-in, you are a former State welfare director. Would it not make more sense to give the States the flexibility to decide how to phase it in, rather than to have the Federal Government set an arbitrary phase-in by starting with the younger children first?

In our State it is a possibility that we may work in certain areas with a whole spectrum of ages, rather than just targeting it by Federal dictum. I would hope that perhaps you would consider that. Is that a possibility?

Ms. BANE. Certainly it is a possibility.

If I might, I really would just like to make one more comment on the time limit you mentioned. You mentioned your fear that the 2-year period would be seen as a grace period during which people would not be expected to do anything. That is very, very far from our intention, and I assume from yours.

Certainly the kind of welfare system that we are talking about and that I believe is implicit in the bill that you are proposing is a system where people are expected to start right from their first day on welfare thinking about self-sufficiency, what they need to

do in order to get themselves off, and participating in those activities that would help them make the transition. We do very much agree with you on that, and I want to assure you that we do not, in fact, see this as a 2-year grace period.

Again, on the phase-in by focusing on younger families, is one that we are taking very seriously. It is not the only possibility on the table, and we would certainly want to talk with you and others about other possibilities that we might think about.

Senator BOND. Well, I am delighted to hear that, and if you are looking at requiring them to begin work from the get-go, then I would suggest that you consider the self-sufficiency act agreements, and we would appreciate the chance to work with you.

With respect to the administration's plan, can you describe for us how the public sector jobs plan would work? Would the recipients be working to earn the amount of the benefits, or would a new wage level be set? Do you have any idea how much these public sector jobs would cost?

Ms. BANE. Again, Senator, this is a set of issues that we are working hard on. No final decisions have been made, and we are still trying to figure out both what the right ways are to structure such jobs and what the costs might be, what the support services might be.

An idea which the administration is taking very seriously would structure these jobs as work-for-wages jobs, wherein recipients would be helped to find a subsidized slot, if necessary, in the private sector or in the public sector, but then would be expected to work for their wages in those slots, just like ordinary working people. We would expect that most of the jobs would be entry-level type jobs, and would have wages associated with entry-level type jobs. We are working on all the details on that, though.

Senator BOND. Senator Harkin and I do not yet have an official CBO estimate, but we have tried to estimate the cost of our proposal and identified a couple of ways to achieve the savings to pay for it. Could you tell the committee what the administration is looking at to pay for the expected cost of your welfare reform proposal?

Ms. BANE. The administration is looking, as I believe Director Panetta testified a few weeks ago, at 30 or 40 different possibilities both from within the entitlement programs and from other sources, and no decisions have been made on that, Senator.

Senator BOND. In your written statement you point out the culture of the welfare office seems to create "an expectation of dependence rather than independence." Now, I have heard that same sentiment expressed by others, and particularly by a number of our colleagues, that this may really undermine whatever we write into legislation if we do not change the attitudes of the people who are administrating it.

You mentioned examples of successful pilot projects that help shift the focus from dependence to self-sufficiency. Has the working group looked at specific ideas to address this problem?

Ms. BANE. We have talked with many administrators of State and local welfare programs, and tried to gather from them the best ideas about how to do this. This is an area where individual States

and individual welfare offices will almost have to proceed according to their own individual circumstances.

There are two things I might point out, though, that I find encouraging. One is that the American Public Welfare Association has developed a welfare reform proposal which focuses very much on changing the culture in welfare offices. The American Public Welfare Association, of course, represents the State commissioners and the local commissioners and the people who actually work in both their offices, so their commitment to change the culture of welfare offices is, I believe, very, very important and very encouraging for all of us.

We have also been working with many States, sometimes under the guise of waivers and other kinds of demonstrations, to work on various ways of again changing the culture of welfare offices so that the first thing that happens to someone when they walk into an office is, they focus on self-sufficiency and a set of conversations about how to help.

One of the conversations with welfare recipients that made the biggest impression on me was with a woman who we talked with a couple of weeks ago who said:

> I have been on and off welfare for 10 years, and nobody ever asked me how they could help.
>
> When I walked into the welfare office, they always said, fill out this form, bring in these documents, and here is your check.

And she said:

> That was nice, but I really had hoped that they would ask me how they could help, find out if what I needed at that point was some help with transportation or some help with child care, or some help hooking up with a job.

I hope that that complaint is one that we would hear less and less frequently as we move toward welfare reform.

Senator BOND. Well, I thank you very much. I am delighted to hear your continued reference to the States and to the people in the States who are responsible for it. I believe that is the appropriate focus, and we look forward to working with you on it.

Thank you, Mr. Chairman.

Senator HARKIN. Thank you, Senator Bond. Senator Stevens.

Senator STEVENS. Thank you, Mr. Chairman.

Ms. Bane, I have just returned from Alaska, and I unfortunately found out that we now once again have the highest structural unemployment rate in the country. I am most concerned about areas along some of Alaska's river systems—the Kuskokwim, the Yukon—where 85 to 90 percent of those families are Alaska's Native people, and the economy is totally destroyed. Mining is closed, oil and gas exploration is closed, timber utilization is closed. Incidentally, I am not pointing fingers, but it is all the result of changes of the policies of this administration.

Now, the real problem that I have—and I do want to work with you all, as I have asked to be part of this bill—is this: what do you propose to do about areas that have structural unemployment in terms of the work-fare concept? I support work-fare, but what is the basic approach of how do we deal with areas where there just are no jobs?

Ms. BANE. My sense, Senator, is that any approach to work or providing work for welfare recipients will have to be designed to be

very responsive to the particular needs and the particular institutions of given communities, and in most communities we would hope that the private sector, that social agencies, the welfare agency and the State, would be partners in working to develop a strategy which both helps the community and helps welfare recipients.

One of the things that we have seen in many communities around the country are innovative community development approaches that bring together, for example, training programs and service programs that use investments in the community as a way of providing jobs, not only for welfare recipients but also for other people in the community.

I think that if we can work with community organizations and with business people in communities, we can develop approaches that will help both welfare recipients and the community as a whole.

Senator STEVENS. Well, the areas that I am interested in are basically what we would call subsistence economies, basically not even cash economies, where people literally live off the land because of the extremely harsh conditions, and the inability to really get involved much.

I would hope that working with the Department of Labor and the Department of Interior, that we might find some way to develop a task force to deal with really rural America. There are other places in the country that have similar conditions, not as stark, perhaps.

I am thinking particularly of the so-called information highway system. If we really are going to take telecommunications to every area of the country, it would change the lifestyle of many places. These people are very talented. They can operate computers. One village is trying to make them now. They have been highly educated, but they just go back home to no jobs.

It does seem to me, along with the welfare reform goes a task force concept to talk about finding some way to take back to rural America some of the jobs that have migrated to the cities. I would hope that we can work that out, too.

But again, I congratulate you for your thinking about it, and I think it is one of the things that the country has waited for, is some way to get a springboard to step off into the next century with a concept of trying to make jobs available to people who have been on this perpetual cycle of welfare. It is good thinking, in my opinion.

Ms. BANE. Thank you.

Senator STEVENS. Thank you, Mr. Chairman.

Senator HARKIN. Thank you, Senator Stevens. I would just say I would hope with new job creation, new technologies, and that type of thing, there are some technologies that you have been working on, too, that these jobs will go to rural areas. They can be done there just as well as they can be done anywhere else, as long as the communication lines are there.

Senator STEVENS. That is a long subject, but so many people, when they talk about universal service for telecommunications, are talking about making available voice grade telephone service to everybody. We are talking about making available to every area of the country the same digital data, video quality service, and if we

can find a way to have universal service in that sense, I think we can put a lot of people to work out in the rural areas.

Senator HARKIN. I think so, too, with the whole fiber optic network and everything else.

Senator STEVENS. Thank you very much.

Senator HARKIN. Thank you, Senator Stevens.

I have just one last question, Ms. Bane. A number of States have been granted waivers to allow them to require welfare recipients to immunize young children, or to tie receipt of assistance to school attendance of parents and/or their children. What information do you have on the effects of these initiatives? How are they working?

Ms. BANE. We actually do not have very much information at this point, Senator. Most of these initiatives have just gotten started, so we will be obviously looking at them closely over the period of a couple of years to see how they do, in fact, work. I think we just do not have very much to say at this point, and we will certainly pass on to you what we do learn.

Senator HARKIN. We have included that in our bill in terms of immunization. I think that is most important, that, again, in terms of responsibility, that parents who are seeking help from the Government have the responsibility of ensuring that their children are immunized and in school, so we would like to work with you on that.

Ms. BANE. We would like to work with you.

Senator HARKIN. Ms. Bane, thank you very much. I look forward to receiving the proposal of the administration and to working with you to make these changes in the welfare system that will both save our taxpayers some money and help the people who are on welfare get out of it and get to work.

Ms. BANE. Thank you very much, Mr. Chairman.

Senator HARKIN. Thank you very much, Ms. Bane.

NONDEPARTMENTAL WITNESSES

STATEMENT OF MARILYN ROWE, CASE MANAGER FOR PROMISE JOBS, ALTOONA, IA

Senator HARKIN. Next I want to welcome the second panel of witnesses, Marilyn Rowe, case manager for Promise Jobs in Iowa, Monica Crumb, a participant in the Family Investment Program in Des Moines, IA, Janet Hansen, director of the Office of Family Support, Utah Department of Human Services, and Carmen Schulze, the director of Missouri Division of Family Services.

If you would just come on up here to the table, if you can see where your name tags are there. These panel members will discuss some of the innovative welfare programs being inducted in their States, and we will start with Marilyn Rowe, a case manager for Promise Jobs in Altoona, IA, and again, your written statements, all of you, will be made a part of the record in their entirety. We would be most appreciative if you would just sort of give us off the top of your head what you think is most important for us to know.

Welcome.

Ms. ROWE. Thank you. My name is Marilyn Rowe. I am a job service interviewer with the Iowa Department of Employment Services.

On behalf of the State of Iowa and all of the workers who provide these services for our program, we would like to thank you for the support and for the interest that you have in our program and in all of the things that we do every day to help our participants.

In Iowa, the Department of Human Services has a primary responsibility for administrating the welfare reform efforts under title 4(a) AFDC and title 4(f), the jobs program of the Social Security Act.

Human Services then contracts with Department of Employment Services and with Department of Economic Development to provide the service delivery. Iowa refers to its title 4(a) program as the family investment program rather than AFDC, and we refer to our jobs program as Promise Jobs.

I find, in comparing the former employment and training programs with the current one that we now administer under the new welfare reform initiatives, that we first of all are allowed much more time to do an in-depth assessment and also to create the family investment agreement, which of course is a major component and a central part of our working with our participants.

I think from two different aspects this is very important. First of all, of course, it sets out concrete steps. It sets out goals for the participant to be able to reach self-sufficiency and it also allows us time to build a rapport and trust with each participant that comes in, which I think is so very important in their reaching self-sufficiency.

I think that the participants feel that finally someone has taken time to listen to what it is that they need to help them develop a plan that will guide them toward self-sufficiency.

It seems evident to me that participants are taking this very seriously. They seem to be very much aware of the importance, and aware of the importance of the family investment agreement.

I remember one participant in particular. I had worked with her for some time. She had been on the group orientation, which takes about 2 hours. Then I had met with her for about 2 hours more. We were developing the family investment agreement. We had finally come to the conclusion of what would be good steps for her.

I remember her just sort of setting back and taking a deep breath and reading it over carefully again and saying, yes, this is what I want to do. This is going to help me. This is what I want to do. So I felt like I have not seen that kind of commitment from the former programs that I have worked in, and that impressed me very much.

We, as workers—maybe the flip side of all of this is that as workers I have to say that we are feeling fairly overwhelmed by the workload. We do feel that it is worthwhile, but as we spend extra time, that time that is so beneficial for each of the participants, that of course takes its daily toll on the workloads that we have, too, so we do hope that as we provide more and more services to our participants, that there will be the availability of additional staffing and resources as we go along.

We, of course, are still very early in the process. The family investment agreements were actually just started. On January 1, 1994, we began to write them, so we are learning every day when we go into work how to do it more efficiently and how to better serve our clients.

PREPARED STATEMENT

We feel that over all there has been a positive reaction. We learn better how to communicate with the public who, of course, has had some questions along the way, but we feel overall that we are making a lot of progress and that we are learning as well as the general public is learning, and we feel most of all our clients are benefiting, so thank you.

Senator HARKIN. Marilyn, thank you very much for your testimony, and thank you for being here.

[The statement follows:]

STATEMENT OF MARILYN ROWE

My name is Marilyn Rowe. I am a Job Service Interviewer with the Iowa Department of Employment Services. On behalf of the State of Iowa and all workers who deliver services to our citizenry, we would like to thank you for your support and interest in the program and the services that we have to offer our participants.

In Iowa, the primary responsibility for administering the welfare reform effort and responsibilities under Titles IV-A (AFDC) and IV-F (JOBS) of the Social Security Act are with the Iowa Department of Human Services. The Iowa Department of Human Services contracts with the Iowa Department of Employment Services and the Iowa Department of Economic Development, which sub-contracts with JTPA offices, for the delivery of employment and training services under the JOBS program. These agencies work in partnership to deliver a broad spectrum of services.

Iowa refers to its Title IV-A program as the Family Investment Program (FIP), rather than AFDC. Iowa refers to the JOBS program as PROMISE JOBS. Project PROMISE, which stands for PROMoting Independence and Self-sufficiency through Employment, was an Iowa welfare reform initiative in the 1980's that preceded the federal JOBS (Job Opportunities and Basic Skills) program, but was similar in concept and in goals. These programs were merged, thus the name of PROMISE JOBS.

My first experience with the welfare system was in 1984 when I became an Income Maintenance worker with the Iowa Department of Human Services. I then became a worker with the WIN (Work Incentive) program in January 1, 1989. I have been a PROMISE JOBS worker since that time and continue presently in that position. My background prior to that time is that I have a bachelor's degree in secondary education and worked as a substitute teacher before becoming employed with the State of Iowa.

I find in comparing the former employment and training programs with Iowa's present welfare reform efforts under PROMISE JOBS that the present program allows workers to spend more one on one time with each participant and allows for a more complete information gathering and assessment process. I feel that the extra time is very important not only in information and assessment procedures, but in building a rapport and trust relationship with the participant. In my opinion, this process is essential to developing an effective and realistic Family Investment Agreement (FIA).

The FIA is a major component of Iowa's welfare reform initiatives. It is a two-way social contract between the State of Iowa and the participant that sets goals and becomes Iowa's version of time-limited welfare. However, Iowa has not set absolute time limits that apply to all cases. Instead, we work with the participant to identify their individual needs and barriers, then set realistic steps to moving towards self-sufficiency, including the identification of supports the state will provide.

In our local PROMISE JOBS service delivery area, the group orientation, which is the first step toward developing the FIA, lasts about two hours and involves

completing assessment forms. a complete overview of the program, a question and answer period, and the completion of a skills-based test (selectABLE) which gives the workers a preliminary idea of the skill level of each participant.

Following the group orientation and initial assessment, each participant is scheduled for an individual assessment which typically takes one to one and one-half hours. This individual assessment meeting includes a Department of Employment Services worker and a JTPA worker as well as the participant. During this period a more in-depth interview is done in order to assess the needs and goals of the participant and participant's family. If the workers and the participant feel at this time that they have enough information to develop a Family Investment Agreement, it is completed and signed. If more assessment is needed, the participant is scheduled to attend a one week extended assessment component. During that week, a General Aptitude Test Battery will be given along with an interest inventory and various other activities designed to assist in decision making and goal setting. In most cases, an FIA can then be developed at the end of this week of extended assessment.

It is my feeling that, in general, participants feel that they have had adequate service. I remember in particular one participant who had attended both the individual assessment and the extended assessment before signing the FIA. She needed to complete her GED, so that part of the FIA was easy, but we spent some time discussing the options open to her once the GED was complete. It appeared that a Work Experience position would be most helpful as a next step. I remember her reading the FIA over very carefully and then taking a deep breath. She then said "O.K., that's what I want to do, I'm ready to sign." It has been good to see that participants are recognizing this as an important step to planning their self-sufficiency. Participants are thinking more seriously about their future and their investment in that future.

As workers in the program, I think we are all very much aware of the increased demands on our time. The extra time that seems so beneficial to the participants, of course, adds to our daily work load. But for those of us who truly want to do this work, the extra effort seems to be worth the results. We do hope that as we are serving more and more participants that we will also have the availability of additional staffing and resources.

We are still early in the process and we continue to communicate the opportunities of this program to the general public. Not all reaction has been positive, but we feel as success of the participants and communication continues, that will improve. It is a new program, and we continue to learn daily how to better communicate and deliver services more efficiently.

STATEMENT OF MONICA CRUMB, FAMILY INVESTMENT PROGRAM PARTICIPANT, DES MOINES, IA

Senator HARKIN. Now we will turn to Monica Crumb, who—I understand just joined this program, is that right?

Ms. CRUMB. Yes; in January.

Senator HARKIN. Well, Monica, welcome, and please tell us about it.

Ms. CRUMB. First of all, I am 33 years old. I am a single parent of one child, McKenzie. I have only been on welfare for 2 years now. I had my daughter when I was 30, so my career was pretty well packed out.

I had been a secretary for 13 years. Due to child care, my rent, transportation and insurance, I just could not keep up with it. I quit my job. If I would have had help with my child care back while I was working, I would probably still be working today.

Because of Iowa's new welfare reform, my worker suggested Promise Jobs. I am a mandatory participant. If I do not cooperate, my benefits will be cut down after 3 months and then cut off after 6.

I went to my first assessment with Promise Jobs in January. That was to see, you know, what I wanted to do with my future after being home for 2 years. I thought that with my secretarial experience of 13 years I could perhaps go to school and learn some medical training so that I could manage a doctor's office or a dentist's office.

My Promise Jobs worker thought that what I had decided was feasible and she told me to go for it. Then she signed me up to assessment 2, and that was a whole week. I went in February. It was a whole week of learning how to have your self-esteem built up. They tested me, and they focused on career development.

At this time, they spoke to me about my family investment agreement [FIA]. My FIA is something that I have a contract with Promise Jobs to reach my goal and self-sufficiency.

My next appointment with Promise Jobs was to create and sign my family investment agreement. I did so March 1, and my goal to be self-sufficient is March 1996. I have also attached my FIA with my testimony. My FIA requires me to go to the job club. With my job experience that I have already, a part-time job is feasible, looking into the future for me.

Job club helps the participant in the work force. They teach you to develop a resume. They teach you to be able to go and interview. For me personally I cannot get into job club until May, but with my secretarial experiences I have been able to type my own resume and I am currently looking for a part-time job.

I most recently went through my assessment 3. That was March 30. I am going to be going to school in September, and what assessment 3 did was, it just prepared me to manage my life, my child, and studying when I go through the process of being in school.

Just for your information, they gave me the information so that I could write this essay that I am reading for you today. Promise Jobs has been paying for my child care and my transportation. It will also help me through my schooling. I have several girlfriends. They all have more than one child. I only have one child, but my girlfriends have two and three children, and they pay anywhere

from $150 to $175 a month—a week, excuse me, for child care. There definitely needs to be help with that once you start in the work force.

I believe that I can find a job based on my experience, but I want to be able to have a job that I can be self-sufficient by taking care of my child. That does call for more than the minimum wage.

PREPARED STATEMENT

I also believe that my FIA helps me to focus on doing what I am going to be doing in the next 2 years. A lot of people who are on public assistance do not have dreams. They do not have, you know, any type of goals set, so they need somebody to kind of push them and make them want to be self-sufficient. I have not really had that big of a problem with it, because I have good self-esteem, and I am going to be self-sufficient before, probably, March 1996.

That is all I want to say. I thank you for the opportunity to share my thoughts, and I am very excited about my own future.

Senator HARKIN. Thank you very much, Monica. Thank you for being here.

[The statement follows:]

STATEMENT OF MONICA CRUMB

My name is Monica Crumb. I am 33 years old, a single parent and mother of one girl, McKenzie. I have been on welfare since July of 1992. I had my child when I was 30 years old. I had been a secretary for 13 years. I had to quit my job because I could not afford child care, rent, and transportation on my salary. Child care took most of my money. I would probably still be working if I would have had help with child care.

Because of Iowa's new welfare reform, my worker suggested PROMISE JOBS. I am a mandatory participant. If I do not cooperate, my benefits would be reduced after three months and cut off after six months.

I went to my first assessment with PROMISE JOBS on January 18, 1994. That was to see what I wanted to do with my future. I decided that with my secretarial experience I would like to have some medical training so I could pursue working in the medical field, such as managing the front of a doctor's office. My PROMISE JOBS worker and myself decided I would go through the Assessment II process.

Assessment II was February 14-18, 1994. It was a week of learning about my options through self-assessment and testing with a focus on career development. At this time they spoke to me about my Family Investment Agreement (FIA). An FIA is a contract between PROMISE JOBS and me to help me reach my goals and become self-sufficient.

My next appointment with PROMISE JOBS was to create and sign my FIA. On March 1, 1994, I signed my FIA. My goal is to be off of assistance by March of 1996. A copy of my FIA is attached.

My FIA requires me to go through Job Club. With my experience I can work part-time until I enter school in September. Job Club helps people to get into the workforce, develop resumes and interview with employers. I won't be able to participate in Job Club until May, but with my previous experience working in personnel I was able to make up my resume and I am currently looking for my part-time job.

I most recently went through the Assessment III process on March 30, 1994. They gave me a crash course in learning to manage my life, my child, and going to school. They also prepared us for learning to study again, test and write essays. I used the essay form which I received in Assessment III to write this document which you are reading.

PROMISE JOBS has been paying my child care and my transportation and will continue through my working and my schooling. If I would have that kind of help while I was working, I would not have to quit my job. I have friends who pay $150.00 to $175.00 per week in child care.

I believe I could find a job based on my experience, but not a job that would cover my child care expenses. I believe the support and training I get through PROMISE JOBS will lead to a better paying job that will make me self-sufficient.

I also believe the FIA helped me to focus on what I will be doing in the next two years. Some people on public assistance don't have goals and dreams, but the assessment process will help them build their self-esteem and the FIA will help create goals and dreams.

I want to thank you for this opportunity to share my thoughts. I am pleased and excited about my future.

APPEAL RIGHTS

If you do not agree with the contents of your Family Investment Agreement, after having a face-to-face conference with a PROMISE JOBS supervisor and receiving the supervisor's written decision about your disagreement, you have the right to appeal. Your appeal rights and procedures for hearing are explained in the Iowa Administrative Code, 441--Chapter 7.

How to Appeal. You must appeal in writing to your PROMISE JOBS office, to the Department of Human Services' office in your county or to the Department of Human Services/Appeal Section, Hoover State Office Building, Des Moines, Iowa 50319-0114. You may use the Department of Human Services' appeal form or you may simply send a letter asking to appeal. There is no fee or charge for an appeal. (Also, see Time Limits below.) Your PROMISE JOBS office will assist you in filing an appeal if you ask them.

Time Limits. You must file your appeal within 30 calendar days of the date you signed your Family Investment Agreement to be ensured of a hearing. When the appeal is filed late (that is, more than 30 calendar days, but less than 90 calendar days after the date you signed the FIA), the Director of the Iowa Department of Human Services must approve, based on good cause for late filing, whether a hearing shall be granted. No hearing shall be granted if the appeal is filed more than 90 calendar days from the date you signed the FIA. The time for the face-to-face conference with a PROMISE JOBS supervisor does not extend these time periods.

Granting a Hearing. The Department of Human Services will determine whether or not an appeal may be granted a hearing. If a hearing is granted, you will be notified of the time and place. However, a hearing need not be granted if the appeal is not eligible to be heard. If no hearing is granted, you will be notified of the reason.

Presenting Your Case. If a hearing is granted to your appeal, you may explain your disagreement with the content of your FIA or have someone else, like a relative or friend, explain your disagreement for you. If you wish, you may be represented by an attorney, but the Department cannot pay for the attorney. Your county Department of Human Services office has information about legal services based on ability to pay that may be available to you. You may also phone Legal Services Corporation of Iowa at 1-800-532-1275. If you live in Polk County, phone 243-1193.

POLICY ON NONDISCRIMINATION

This action was taken without regard to race, color, national origin, sex, age, religion, creed, political belief, or mental or physical disability. If you have reason to believe that you have been discriminated against for any of the reasons stated above, you may file complaint with the Iowa Department of Human Services by completing a Discrimination Complaint form. Any Departmental office or the Department's Bureau of Equal Opportunity can give you a form. You may also file a complaint with the Iowa Civil Rights Commission (if you feel you were treated differently <u>because of</u> your race, creed, color, national origin, sex, religion or disability) or the United States Department of Health and Human Services, Office for Civil Rights.

IOWA DEPARTMENT OF HUMAN SERVICES
Bureau of Equal Opportunity
Hoover State Office Building
Des Moines IA 50319-0114

IOWA CIVIL RIGHTS COMMISSION
Grimes State Office Building
211 E Maple St 2nd Fl
Des Moines IA 50319-0201

Promise Jobs
Promoting Independence and Self-Sufficiency Through Employment
Job Opportunities and Basic Skills

The Department of Human Services in Partnership with the Departments of Economic Development, Education, Employment Services, Human Rights and Management.

Participant Name	Social Security Number
Monica Crumb	484 80 4387

☒ Original Date 3-1-94

☐ Modification Date

FAMILY INVESTMENT AGREEMENT

Final Goal: To become self-sufficient through full-time employment followed by post-secondary training

This family plans to achieve self-sufficiency and leave the Family Investment Program by 5/96 (date). Self-Sufficiency means that this family will no longer receive cash assistance through the Family Investment Program.

PARTICIPANT AGREEMENT	PROMISE JOBS AGREEMENT
I acknowledge by my signature that I reviewed, understand and received a copy of this Family Investment Agreement (FIA). I agree to fulfill the requirements as outlined in the Needs and Interim Goals and Action Steps section of the FIA. I agree that if I abandon this FIA, I will be placed on the Limited Benefit Plan. I understand that in certain situations, this agreement can be modified. If I disagree with my PROMISE JOBS worker about the contents of the Family Investment Agreement, I understand that I can ask to talk with a supervisor and ask for a decision from the supervisor in writing about our dispute. I further understand that, if this informal resolution process doesn't resolve my disagreement with the PROMISE JOBS worker, I have the right to appeal the content of the FIA. See back for appeal rights.	PROMISE JOBS will provide the support services and funding we agree are necessary to empower you to achieve self-sufficiency.
Participant Signature: Monica Crumb — Date: 3/1/94	PROMISE JOBS Worker Signature: Jan Fair — Date: 3/1/94
Participant Signature — Date	PROMISE JOBS Worker Signature: Karl Kiland — Date
Participant Signature — Date	PROMISE JOBS Supervisor Signature — Date

Promise Jobs — Promoting Independence and Self-Sufficiency Through Employment, Job Opportunities and Basic Skills

The Department of Human Services in Partnership with the Departments of Economic Development, Education, Employment Services, Human Rights and Management

Participant Name: Tilmon Crumb

SSN: 434-80-4389

☒ Original Date: 3/1/94

☐ Modification Date: _____

FIA STEPS TO ACHIEVE SELF-SUFFICIENCY

Purpose of Agreement

The purpose of this agreement is to outline the family plan to achieve self-sufficiency by identifying the resources and supportive services to be provided to the family and the activities to be completed by the family in order to reach the final goal.

Final Goal: I will work part-time and then attend post-secondary school with a final goal of reaching self-sufficiency by 3/96

NEEDS TO BE RESOLVED TO ACHIEVE SELF-SUFFICIENCY	INTERIM GOALS AND ACTION STEPS	Time Frames: Targeted Date Start	Targeted Date End	Actual Date Start	Actual Date End
(1) To complete GED and use part-time employment	(1) Job Club	3/22/94	4/8/94		
(2) To become acquainted with my abilities and	(2) Assessment III	3/22/94	3/29/94		
(3) To find part-time employment while on a real working list	(3) Part-time employment	9/94	10/94		
(4) Post-secondary training	(4) Post-secondary Schooling	10/94	1/96		
(5) To find employment	(5) Individual Job Search	2/96	3/96		

Assistance and Support Services to be provided by PROMISE JOBS

☒ Transportation

☒ Child Care

☐ Family Development Service

☒ Tuition, Books, Fees

☒ Tools, Uniforms

☐ Other _____

Tilmon Crumb — Participant Signature — Date 3/1/94

Jane Doe — PROMISE JOBS Worker — Date 3/1/94

470-3096 (Welfare Reform) (1/94) White - Case Record Yellow - Participant

STATEMENT OF JANET A. HANSEN, DIRECTOR, OFFICE OF FAMILY SUPPORT, UTAH DEPARTMENT OF HUMAN SERVICES

Senator HARKIN. Next is Janet Hansen, director of the Office of Family Support of the Utah Department of Human Services. Welcome to this committee, and please proceed.

Ms. HANSEN. Thank you, Mr. Chairman and Senator Bond. I appreciate the opportunity of testifying today. The purpose of the Utah Single Parent Employment Demonstration Program is to help people move out of poverty, not just off welfare. We are transforming the AFDC program to an employment program.

Senator HARKIN. Excuse me, Ms. Hansen, would you pull the microphone just a little bit closer, please? Thank you.

Ms. HANSEN. We are transforming AFDC into an employment program. We are trying to increase family income through employment and child support, and we are offering supportive services while participants work their way up the ladder in salary and benefits.

What makes this program different than the jobs program are about three or four different areas of interest. One of the things that we do is self-sufficiency. This is the first major part of business that we handle. We do not do eligibility applications until we have had a self-sufficiency interview. In that interview, we then begin to talk about the philosophy of, you are here to get employment, and we are here to help you obtain that employment.

Part of this interview also is used for diversion. This means that there are individuals who do not need welfare, they just need a month or two's grant in order to obtain employment or receive their first check.

In the first year of the program we have diverted 13 percent of the recipients that have applied for assistance. Like the demonstration program, national welfare reform needs to focus on what happens to people when they first request assistance, and not what happens to people 2 years later.

We, too, believe that a 2-year limit sort of sets people up for 2 years, and we believe that the majority of recipients do not need 2 years. Some can be off in 30 days, 3 months, and 6 months. Some need more, and one of the things that we participate in is universal participation, where everyone participates.

Not every single parent, no matter what age their children are or what their circumstances are, unless they are disabled or ill, have to participate. At the present time, 94 percent of the demonstration program individuals are participating. They all have plans which lead toward the eventual outcome of employment, compared to the jobs program, where we only have 30 percent participation, and that is mostly those participating because they are mandatory.

We believe that plans should be individualized, and that each client be a partner with their work earning determining their destiny and their outcome. We also are placing much more emphasis on child support. We find this to be a very important part of helping women move out of poverty. We also spend a great deal of time in talking and changing the culture of the welfare program.

Our clients, as well as workers, need to begin to understand that employment is the bottom line. This is very difficult for workers

and clients, but we do believe that we have begun to change the culture. We believe that, if employment is supported, most individuals within our system want to become employed and want to move off of public assistance.

We also believe that transitional services are very key. Once someone becomes employed, we believe that child care needs to be continued, as well as medical care. We have been able to simplify the rules of AFDC through this demonstration program. We have 44 waivers, and it makes it much simpler to run. It is not so much involved in picky little rules and activities. We feel real good about the waivers that we have had.

Within the past year, we feel that we have made significant progress in the program; 62 percent, or the majority of our recipients, are either working or working on becoming employed like job search or going to school. We believe that we could run the program statewide and be successful if the following criteria are met:

First, an individual approach which allows mental health treatment, family counseling, and self-esteem groups, or simply getting driver's license if that is how one can find employment, any activity that really leads a client toward self-sufficiency.

We believe that there needs to be some increased funding at the case management level, but this should be taken out of grant savings. We also believe that we need increased child care funding, that it is extremely important that we continue with quality child care while the young mothers are working.

We also believe that medical services are a very important part of obtaining employment, and we have found in the past year that we need post employment supportive services, that once a single mother goes to work, there are a lot of services that can keep her employed, and without these services, it is very difficult sometimes to even want to maintain a job when family problems arise.

Utah's demonstration has been operating for 1 year, and results thus far are as follows: demonstration clients working has risen from 18 to 25 percent. The number going off assistance with earnings has sharply increased. Grant costs have declined by 24 percent as family income increases.

In conclusion, I urge you to make major changes in welfare. We need to fix the system. We do not have all the answers. We do know that incentives work. We know that the investment seems to be paying off. We know that we need to continue to fix the system, not the people.

We know that parents who participate at a high level are successful. We know that it is possible to become employment rather than income-maintenance focused. Most important, we know that family income can be increased by changing AFDC and the related Food Stamp Program into an employment program.

We also know that it will cost more money up front, that savings will come in grant savings later on. We must invest in people, not the system. I believe that we are not just talking about welfare parents, but we are talking about families that need intensive services to stay out of poverty and stay out of other systems, such as the child welfare system. We are teaching children in Utah that a work ethic is more important than a welfare ethic.

Thank you for the opportunity. I have enjoyed coming before the committee today. Thank you.

PREPARED STATEMENT

Senator HARKIN. Thank you, Ms. Hansen. I will have some good questions for you. It sounds like our experiences in our first few months has been what you have had for over a year. You seem to be down 24 percent in grant levels.

Ms. HANSEN. Yes.

Senator HARKIN. That is what I call success.

Ms. HANSEN. Thank you.

[The statement follows:]

STATEMENT OF JANET A. HANSEN

Thank you for inviting me to testify.

The Utah Single Parent Employment Demonstration Program is the result of a decade of progress in transforming Utah's welfare programs into employment programs.

The purpose of the Utah Single Parent Employment Demonstration program is to help families move out of poverty by:

- Transforming AFDC into an employment program.
- Increasing family income through employment and child support.

The major changes are:

1. **Self sufficiency planning occurs before eligibility determination with diversion from ongoing AFDC as an option.** Under diversion, persons with immediate employment prospects or other sources of income are offered job placement assistance, a payment to meet immediate needs, and transitional medical and child care support services. Attachment A shows the pathway under the Demonstration.

   Like the Demonstration program, national welfare reform needs to focus on what happens to people when they first request assistance and not what happens to people two years later.

2. **Universal participation in activities leading towards employment based on individualized self sufficiency plans.** Every parent regardless of age or the age of their children, develops a self sufficiency plan and participates in appropriate self sufficiency activities. There are no exemptions, although temporary leave from active participation is provided for illness, medical problems, no transportation, and to search for quality child care.

   Plans are individualized. One participant may be involved in mental health treatment, another in full time education and another in part time work and education.

   Child support is emphasized and child support collection is expedited for diversion and cases with earnings.

   Participation is supported. Families participating full-time receive an extra $40 a month. $8,000 in equity value of one car is not counted. Educational income is not counted.

   If a person chooses not to participate, the grant is reduced by $100 a month until the family chooses to participate.

   To change the welfare culture, everyone must participate in activities leading towards employment.

3. Employment is supported rather than penalized.

AFDC: The first $100 plus 45% of the remainder of earned income is disregarded. Families graduate off of AFDC because of increased income and not arbitrary time limits.

Food Stamps: In addition to the present disregard of 20% of earned income, $90 is disregarded to take into account work expenses.

Transitional Medicaid and Transitional Child Care: The three of six months receipt of AFDC requirement is eliminated. Any family with earned income who goes off assistance because of increased income from any source qualifies for transitional benefits. We have requested waivers to extend Transitional Medicaid from 12 months to 24 months and extend Transitional Child Care indefinitely based on a sliding fee schedule.

4. AFDC, Food Stamp, Medicaid and Child Care rules are simplified so that staff and participants can focus on self sufficiency.

The Demonstration program required 44 waivers in six major programs (AFDC, JOBS, Food Stamps, Medicaid, Child Care and Child Support). See Attachment B. We request that each of the waivers be considered for inclusion in national welfare reform.

The Demonstration was implemented January 1, 1993 at the Kearns office which serves an urban area. Families are randomly assigned to an experimental and a control group. Two months later the program was implemented in St. George, which serves a small city, and Roosevelt, which serves a rural area of very high unemployment with a large Native American population.

The following results are based on findings by the independent evaluator and cover the first full year of operation. Along with the results, we include some implications for national welfare reform.

Diversion: 13% of applicants, eligible for financial assistance, are being diverted from ongoing AFDC assistance. Only 14% of those diverted have returned and are receiving AFDC. We urge that national legislation offer this as an option to all states. Attachment C is the First Year report on the diversion program and proposed legislation.

Universal Participation: Of all families receiving AFDC, 94% have developed a self sufficiency plan and are participating in appropriate activities. Of those participating currently:

25% are working.

11% are searching for a job.

26% are involved in education/training.

20% are in orientation or assessment.

8% are in family counseling, mental health treatment.

6% are in job readiness activities.

5% are on temporary self sufficiency leave because of illness, medical problems, no transportation, etc.

Universal participation is achievable given:

1. An individualized approach which allows mental health treatment, family counseling, self esteem groups, or simply getting a drivers license as an appropriate activity.

2. Increased funding for self sufficiency case managers and employment services through lifting of the cap on JOBS funding.

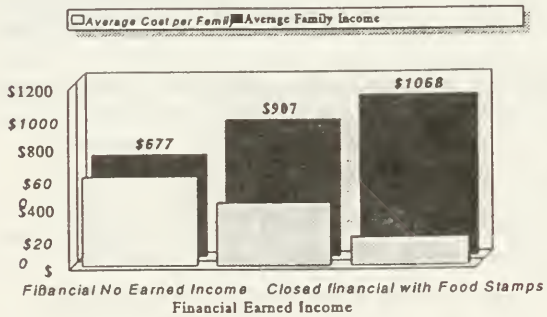
3. Increased child care funding.

These costs are partially offset by grant savings.

Employment is supported: The number of AFDC families with earned income increased from 18% to 24% in the 12 months following implementation of the Demonstration. The number of families going off assistance with earning has doubled to 3% of all AFDC cases each month. In orientations on the Demonstration, participants have been particularly pleased with the changes which support work.

The increased earned income disregards and transitional benefits have not only increased family income, but have actually reduced AFDC and Food Stamp benefit costs, as shown in the following table.

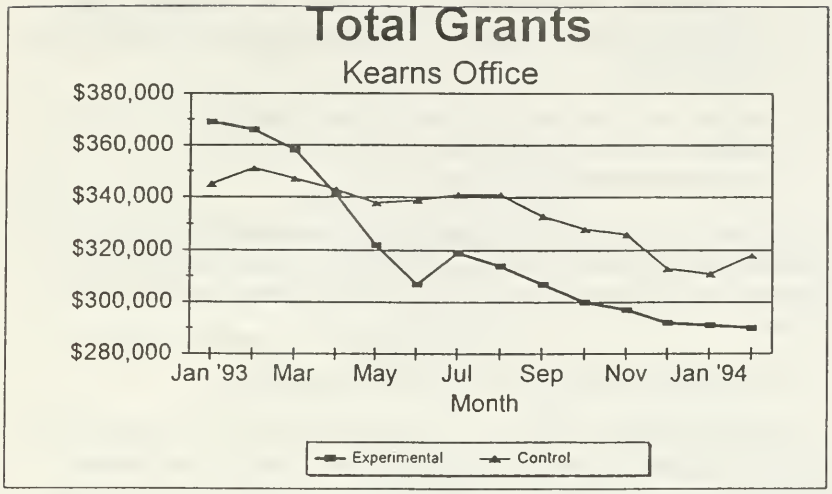
Average Total Family Income



* Includes grants, food stamps, and child support

Caseload and grant reductions:

The Kearns Demonstration (experimental) group caseload has decreased by 21% and AFDC grant expenditure has decreased by 24%.



The St. George AFDC caseload had been sharply increasing prior to the Demonstration. One year after the start of the Demonstration, the caseload has declined by 6%.

In Roosevelt, the caseload and grant expenditures have not declined, although family income has increased because more participants are working. We need to explore additional solutions for rural areas with high unemployment.

Program simplification and consistency: The program simplifications contained in the Demonstration have enabled staff to focus on self sufficiency case management, instead of eligibility case maintenance. At two of the three sites, eligibility simplification has enabled staff to combine the functions of eligibility and self sufficiency case management for all AFDC cases. The staff call themselves employment coordinators.

We urge that states be given the option to adopt the Demonstration waiver simplifications listed in attachment B. In addition, we request that states be allowed to adopt the definitions and technical provisions contained in AFDC or Food Stamps and apply them to both programs. Attachment D. contains suggested language.

At the Demonstration sites, "Welfare" has ended as we have known it: The offices are employment offices. Families apply for the Single Parent Employment Program not AFDC. Public and private partnerships maximize resources. Because we have changed, applicants now related to us in terms of job placement, education and training. They come in with a different attitude. The community perception has changed.

An investment is required: While significant AFDC grant and Food Stamp benefit savings have occurred in the first year of the Demonstration due to increased employment and increased case closures with earnings, the Demonstration also represents a significant investment. The JOBS program serves only a fraction of families needing help.

- Case management, employment and education costs are more than double the previous JOBS expenditures cost at the three sites because we are serving more than twice as many participants.

- Child care costs at the three sites have increased by 40% and are projected to be 60% higher in the second year again because more participants are working and participating in education and employment activities.

As part of national welfare reform we urge you to lift the cap on JOBS funding, extend Transitional Child Care for at least three years so that families graduate because of increased income, and provide additional child care funds for low income, working families, not receiving assistance.

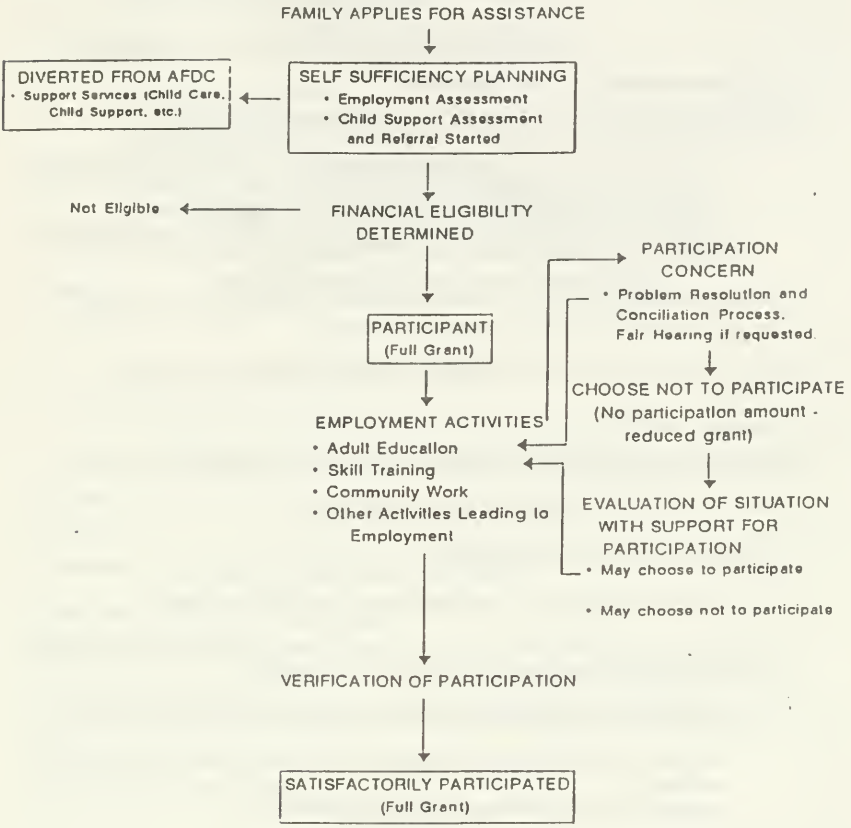
Attachment E contains additional information on results and cost/savings.

In conclusion, I urge you to make major changes in welfare. We need to fix the system. We do not have all the answers. We do know that incentives work. We know that the investment seems to be paying off. We know that we need to continue to fix the system, not the people. We know that parents who participate at a high level are successful. We know that it is possible to become employment rather than income maintenance focused. Most important we know that family income can be increased by changing AFDC and the related Food Stamp program into an employment program.

ATTACHMENT A

SINGLE PARENT EMPLOYMENT DEMONSTRATION PROGRAM

SELECTED SITES



Attachment B

UTAH SINGLE PARENT EMPLOYMENT DEMONSTRATION PROGRAM

WAIVERS AND CHANGES

SELF SUFFICIENCY IS ALWAYS FIRST

- Self Sufficiency planning prior to determining eligibility.
- One-time diversion payments - up to three times the estimated monthly payment amount.
  - If the individual applies for financial assistance after receiving a diversion payment, the payment is subtracted from the regular financial assistance payment.
  - Child support is directly prorated over three months and distributed to participants.
  - Medicaid is provided for three months. Then may qualify for 12 month transitional medical services.

CHILD SUPPORT IS PART OF THE SELF SUFFICIENCY PLAN

- Child support collection prioritized for Self Sufficiency participants.
- $100 payment reduction for failure to cooperate in child support collection without good cause.
- Unemployed non-custodial parents may participate in JOBS components.

SUPPORT FOR PARTICIPATION, EMPLOYMENT, CONTINUED EMPLOYMENT AND SAVINGS

SUPPORT FOR PARTICIPATION

- All parents participate in Self Sufficiency activities
- Children 16-18 not in school and not working must participate in Self Sufficiency activities.
- For persons participating full-time in education, training and employment activities, $40 a month Enhanced Payment and $90.00 of financial assistance disregarded for Food Stamps.
- After a conciliation process, if the parent still chooses not to participate, a $100.00 payment reduction occurs.
  - As soon as a participant resumes participation, the $100.00 is restored. No three-six month sanctions.
  - Vendor and protective payee payment requirements eliminated.
- Education income exempted for all programs. (AFDC, Food Stamps, Medicaid)
- $8,000.00 in equity value for one vehicle exempted; for a disabled person one vehicle is entirely exempted. (AFDC, Food Stamps, Medicaid)
- No cap on support funds for education and work-related expenses.

SUPPORT FOR EMPLOYMENT

- Financial Assistance.

  Earned income disregard enhanced and simplified: $100.00 plus 45% of the remainder with no time limit.

- Food Stamps.

  In addition to present 20% disregard of earned income, $90 of earned income not counted for one year after leaving financial assistance.

- Transitional Medicaid.

  - Family is not required to receive AFDC for three months to qualify.
  - When the participant has earned income and closes due to increase in income from any source they are eligible for Transitional Medicaid Assistance.
  - The transitional medical period is 24 months.

- Transitional Child Care - same policy as Transitional Medical Assistance.

  - No three or six month requirement.
  - When the participant has earned income and closes due to any increased income they are eligible for Transitional Child Care.
  - No formal request for continued Child Care required.
  - No fee for two months after leaving Single Parent Employment.
  - No one year time limit. Continues until ineligible because of income.

SUPPORT FOR CONTINUED EMPLOYMENT - TRANSITIONAL SUPPORT FOR 12 MONTHS

- JOBS support services including case management continued for 12 months after leaving Single Parent Employment.

SUPPORT FOR SAVINGS

- Resource limit increased to $2,000. (AFDC)

SIMPLIFICATION - SAVE PARTICIPANT AND WORKER TIME:

- Reviews extended to 12 months and face-to-face reviews extended to 24 months. (AFDC, Food Stamps, Medicaid)

- Requirement to report changes increased from $25.00 to $50.00.

- Verification flexible based on workers' judgement.

- Optional cash out of Food Stamps.

- Support services to enable participation such as, parenting classes eligible for federal matching.

- Education income exempted.

- Understandable earned income disregard.

Attachment C

UTAH
SINGLE PARENT EMPLOYMENT DEMONSTRATION PROGRAM

DIVERSION COMPONENT
FIRST YEAR REPORT

Diversion from on going financial assistance is one of a number of components of the Utah Single Parent Employment Demonstration Program. This report explains how the diversion component operates, describes the waivers required, provides case examples, and provides preliminary results.

UTAH SINGLE PARENT EMPLOYMENT DEMONSTRATION PROGRAM
REPORT ON THE DIVERSION COMPONENT
March 1994

Background:

A number of applicants for financial assistance do not need or desire ongoing AFDC assistance. They are job ready, but simply need help meeting financial obligations while they secure employment and child support. It is hard to focus on getting a job when you may be evicted for being behind on the rental payment. Critical financial needs may include shelter payments, utility payments, items such as clothing suitable for job interviews, and transportation assistance.

Under the Utah Single Parent Employment Demonstration Program, when a family applies and appears eligible for financial assistance, they may be diverted from ongoing financial assistance through a diversion payment of up to three times the amount of the monthly grant amount for the household size.

Program Provisions and Waivers:

The following lists provisions of the diversion component. Waivers of regular AFDC and Medicaid rules were required for most of these provisions.

•While the family must appear eligible for financial assistance, verification of eligibility items is not required.

•The payment can be up to three times the monthly grant level. The actual amount of the payment is based on immediate needs as determined by the self sufficiency worker and the participant.

•Diversion is not an entitlement or a requirement, but an option subject to approval by both staff and the participant.

•If the family reapplies for assistance during the three months, the diversion payment is prorated over the three months and subtracted from any regular AFDC payment they may be eligible for.

•The requirement that a family must receive AFDC assistance in 3 of the last 6 months to be eligible for Transitional Medicaid assistance is eliminated. Diversion cases receive regular Family Medicaid assistance during the three months covered by the diversion payment. Then, they are eligible for 12 month Transitional Medicaid assistance if they have any earned income and their income exceeds the eligibility levels for AFDC.

•Any child support collected goes to the family instead of being used to offset the diversion payment.

•Since diversion involves a one time payment, the diversion amount does not count as income in determining the Food Stamp amount.

•Child care help is provided as if the family had received AFDC for three months.

Pathway:

Under the demonstration program, the pathway starts with self sufficiency planning prior to eligibility determination. As part of self sufficiency planning, diversion is offered as

an option to participants who have a high prospect of securing a job within a short time. Also, participants may have other projected income like child support which may eliminate the need for ongoing assistance. See Attachment A for a chart showing the pathway, Attachment B for a copy of the Diversion Agreement form and Attachment C for 6 sample diversion cases.

Implementation:

Diversion was implemented at the same time as the rest of the demonstration program at the Kearns office in January 1993 and at the St. George and Roosevelt offices in March 1993. The Kearns office serves an urban area, St. George serves a small city and Roosevelt serves a rural area with high unemployment. The number of families diverted has increased as staff have become familiar with the process and comfortable deciding with the participant whether diversion is an appropriate option. See Attachment D for the number of cases diverted each month.

Preliminary Results January - December 1993:

A significant percent of families applying and eligible for financial assistance are being diverted from on going financial assistance.

- At the Kearns and St. George offices which serve an Urban and small city area, 76 families or 16% of new applicants eligible for financial assistance were diverted during the period June - December, 1993.

- Only a few diversions have occurred at the Roosevelt office which is located in a rural area with a very high unemployment rate.

- For all three sites, 13% of new eligible applicants were diverted from June-December, 1993.

Only a small percent of the cases diverted have reapplied and are receiving AFDC. Of the 119 families diverted from on going financial assistance in 1993, 17(14%) were receiving AFDC assistance in January, 1994. While it is too early to tell what percent of families will be permanently diverted from financial assistance, the results to date are promising. 3 clients received a second diversion payment.

Staff like the diversion program. They perceive it as a vital part of the overall employment effort of the demonstration.

Impact on applications. In developing the diversion program, one concern was that diversion might attract families that otherwise would not apply for assistance. The result would be an overall increase in the number of families applying for and receiving financial assistance. This has not happened. When diversion cases are included, the demonstration group in comparison with the control group has had a slightly smaller number of families approved for financial assistance including diversion. At the Kearns office, one half of all applicants for financial assistance are randomly assigned to the demonstration group and one half to the control group.

Caution:

The diversion program in Utah is part of an overall demonstration program that is focused on converting AFDC into an employment program. The purpose is to increase family income through employment and child support. Also, self sufficiency planning

occurs before eligibility determination. Thus, similar results can not be assumed if the diversion program is simply added to an existing AFDC program.

The diversion program is dependent upon a number of waivers so that diversion cases receive necessary medical, child care and other support services.

Conclusion:

The preliminary data indicates that the use of diversion has significantly helped the families served and resulted in fewer families needing on going financial assistance.

By expediting the self sufficiency process, diversion also enables the regular self sufficiency effort to be focused on families with longer term self sufficiency needs.

Attachment B

SINGLE PARENT EMPLOYMENT PROGRAM
DIVERSION AGREEMENT

I (Parent) _____ SSN _____ agree:

I (Other Parent) _____ SSN _____ agree:

- To accept a one-time diversion payment in the amount of $_____ to meet immediate needs Instead of receiving a monthly payment from the state. I am employed or have the strong possibility of being employed within the next two months or expect to have other specific means of self support.
- To have the Office of Family Support deny my application for on-going financial assistance effective this date.
- I have had explained to me the employment, food stamps, medical, child care, and child support services that are available and how to apply.

I UNDERSTAND THAT:

- I may reactivate my application for monthly financial assistance.
- If I reactivate my application for monthly financial assistance within the next three months, the effective date of my assistance will be the date of my original application.
- If I reactivate my application for monthly assistance within three months of the date of my application; any diversion monies I received will be prorated and subtracted from the monthly payment(s) for which I may be eligible.
- I need to immediately report employment and other income to my worker in order to be eligible for continued medical services.
- The Office of Recovery Services can assist me in collecting child support.

I understand that this diversion money is to enable me to meet my current financial obligations while I secure employment and child support.

_____
Parent's Signature

_____
Office of Family Support
Assessment Worker Signature

_____
Other Parent's Signature

_____
Date

ATTACHMENT C

UTAH SINGLE PARENT EMPLOYMENT DEMONSTRATION PROGRAM
SAMPLE DIVERSION CASES - ST. GEORGE OFFICE
SEPTEMBER 1993

T.M.
SITUATION WHEN REQUESTED DIVERSION IN MARCH: Mother with three children, ages 15, 10 and 4. Gets along well with elderly. Worked as clerk in post office, waitress and beauty operator. Presently working at temporary job earning $5.00 per hour. Receiving ongoing child support of $330 per month. Goal is to be a home health nurse. In two weeks will start a home health nursing course which lasts six weeks. Will have a job waiting when training is complete at hourly wage of $6.15 to $15.00 per hour. Client did not need medical assistance as ex husband has medical insurance on all of them.

HELP:
- $1,125 diversion funds to cover three months rent.
- Child care assistance
- Food Stamps

WHAT IS THE CLIENT DOING NOW IN AUGUST? Client is now working in a home health agency earning $774 per month.

BENEFITS: Food Stamps
Child care assistance

T.T.
SITUATION WHEN REQUESTED DIVERSION IN MARCH: Father with infant daughter. Military experience. Hurt off the job and needs knee surgery. Will be unable to work for 8 weeks. Will be able to return to the same job. Receives $115 per month in child support. Not eligible for Worker's Compensation.

HELP:
- $500 diversion funds to help with rent for two months.
- Did not want food stamps or need child care as ex-mother in law took care of the child

WHAT IS THE CLIENT DOING NOW IN AUGUST? Client has now moved out of state.

A.B.C.
SITUATION WHEN REQUESTED DIVERSION IN MARCH: Single mother with one child and pregnant. She currently has a job as an assembly worker and receptionist. Client planned to go back to work after her baby was born. Baby was born on March 26, 1993. She went back to work June 1st, but would not get paid until June 20th.

HELP:
- $940 diversion funds to help with rent, utilities, loan payment, phone bill, baby supplies, gas.
- Medicaid
- Food Stamps
- Client received an additional diversion payment of $160 to assist with baby supplies

WHAT IS THE CLIENT DOING NOW IN AUGUST? Client is still working with the same company and doing well.

BENEFITS: Food Stamps
Medicaid

C.C.
SITUATION WHEN REQUESTED DIVERSION IN JULY: Two parent household, two children ages 3 and 1. Father broke his wrist and is unable to work. Plans to go back to work in two months.

HELP:
- $1,385 diversion funds to help with $500 per month rent, utilities and
- household needs.
- Food Stamps
- Medicaid

WHAT IS THE CLIENT DOING NOW IN AUGUST? Client was laid off work and is looking for another job.

BENEFITS: Food Stamps
Medicaid

R.C.
SITUATION WHEN REQUESTED DIVERSION IN JULY: Client has 3 children. She has just started a full time job for $5.00 per hour but will not get paid for one month. She is behind in her rent and utility payments.

HELP:
- $700 diversion funds to help with rent $317, utilities $65, car payment $300, misc $18.
- Medicaid
- Food Stamps

WHAT IS THE CLIENT DOING NOW IN AUGUST? Client was fired from job and has reapplied for assistance in September.

J.B.
SITUATION WHEN REQUESTED DIVERSION IN AUGUST: Client is recently separated with two children ages 15 and 17. Moved to St. George to be near family. She just started working at a hotel but has no money for rent or to get settled until payday. Anticipates $678 per month child support beginning next month.

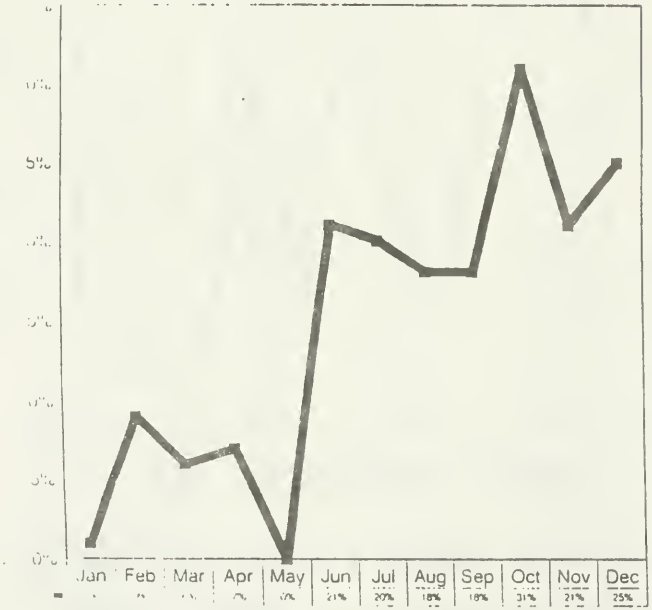
HELP:
- $800 diversion funds to help with rent $500, car payment $141, school clothes, misc $159.
- Medicaid
- Food Stamps

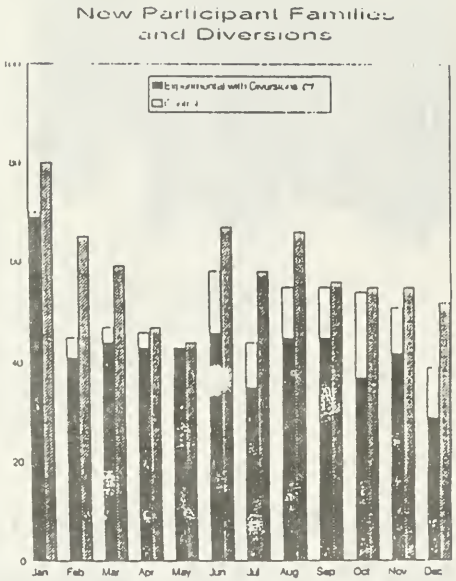
WHAT IS THE CLIENT DOING NOW?
Working and doing well.

BENEFITS: Food Stamps
Medicaid

% of New Eligible Applicants Diverted from Ongoing Financial Assistance

Kearns Office--Experimental

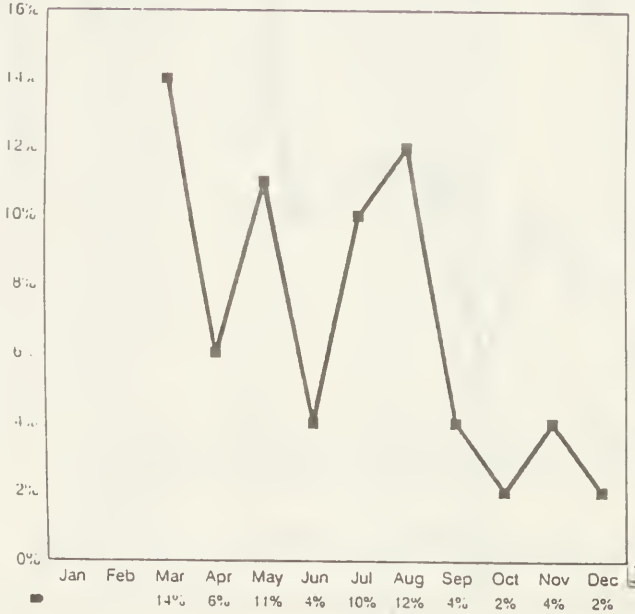


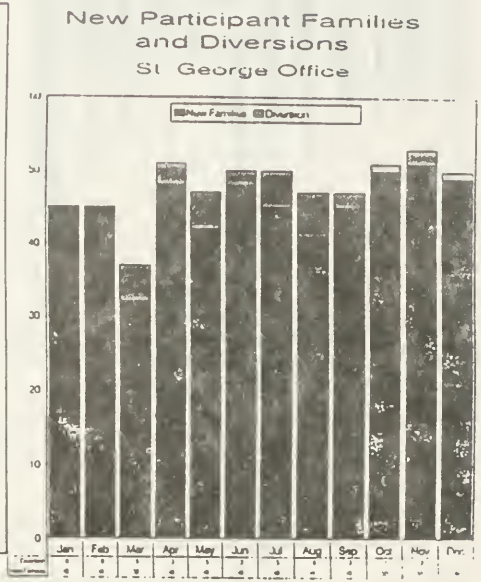


Dec 1993

% of New Eligible Applicants Diverted from Ongoing Financial Assistance

St. George Office





Dec 1993

Attachment D

PROMOTING CONSISTENCY: AFDC, FOOD STAMP AND MEDICAID.

BACK GROUND

Eligibility processes and procedures need to be simplified and made more consistent between AFDC, Food Stamps, and Medicaid. Staff need to focus on self sufficiency and basic eligibility policies instead of learning and applying inconsistent regulations between different programs.

States are faced with different AFDC and Food Stamp regulations covering over 50 technical or procedural areas. For example, Food Stamps excludes, in counting as a resource, $4,500 of the value of a vehicle, while AFDC does not count the value of a vehicle but excludes $1,500 in equity value. States have to train staff on, develop computer systems around, and apply, two different policies. States do not have the option to pick one of the two policies and apply it to both programs.

Promoting consistency among programs is difficult at the federal level because the programs are administered by different federal agencies (AFDC and Medicaid are administered by the Department of Health and Human Services, Food Stamps by the Department of Agriculture, and Housing by the Department of Housing and Urban Development). Each of the programs are overseen by different Congressional committees.

PROPOSAL

As part of welfare reform, states should be allowed to adopt AFDC, Food Stamp, or Medicaid regulations and apply them to all three programs. Attached is proposed language.

In developing the proposed language, we have tried to enable states to promote consistency in areas that do not involve major policy or cost issues. For example, earned income disregards are not included because that could have a major impact and needs to be directly addressed by Congress.

Each of the regulatory policies cited, such as, "what is counted as earned income", includes a number of very specific and inconsistent regulations. For example, AFDC and Food Stamp regulations differ on the counting of student income, earnings of 18 year old high school students, in kind income, vendor payments, income excluded by other laws, irregular income, and lump sum payments. The intent of the proposed law is to allow a state, for example, to apply the AFDC regulations on counting of educational income to Food Stamps. Conversely, a state could apply the Food Stamp regulations on counting in kind income to AFDC.

DRAFT LEGISLATION TO ENABLE STATES TO PROMOTE CONSISTENCY AMONG THE AFDC, FOOD STAMP AND MEDICAID PROGRAMS.

"To promote simplification and consistency, a state may, at its option, adopt the AFDC, Food Stamp or Medicaid regulations covering the following policies and apply them to all three programs.

- Application process and verification requirements.
- Vehicle resource exclusions.

- Eligibility requirements including alien status, child support cooperation, residency requirements, unit definition, application for potential sources of income, and strikers.
- What is counted as a resource.
- Maximum resource limit.
- Budgeting process, best estimate, and reporting income changes.
- What is counted as Income.
- Self employment.
- Change reporting requirements and effective date of changes.
- Child care deductions.
- Recertification periods and process.
- Restoration of benefits for under payments.
- Employment program exemptions and sanctions.

To further promote consistency in areas not listed above, at the request of a state, the Secretary of Agriculture and the Secretary of Health and Human Services have the authority to waive laws or regulations to enable consistency among the programs."

Attachment E

UTAH SINGLE PARENT EMPLOYMENT DEMONSTRATION PROGRAM

FIRST YEAR REPORT

PRELIMINARY RESULTS: JANUARY 1993 THROUGH FEBRUARY 1994

These results cover the 14 months since implementation of the Demonstration at the Kearns site in January 1993 and the 12 months since implementation of the Demonstration at the St. George and Roosevelt sites.

Most MDRC and other welfare/work studies show that an employment effort has an impact in contrast to a control group with out any self sufficiency or employment program. The Utah evaluation is different. The Utah Demonstration programs results are contrasted to a control group which is involved in the regular Utah JOBS program.

•Participation: At the three sites, 94% of the families receiving financial assistance have developed an individualized self sufficiency plan and are participating in activities ranging from family counseling to full time education or work. The most frequent participation activity is education/training followed by employment, assessment/counseling and job search.

•Grant Savings: Since implementation of the Demonstration in January 1993, grant costs for the experimental group have declined by 21%. Taking the 3% July cost of living increase to AFDC grants into account, the reduction in grant costs is 24%. In comparison, grant costs for the control group declined by 11% when adjusted for the grant increase. Experimental grant costs include the $40 monthly payment for enhanced participation.

•Increased Total Family Income: This is the primary purpose of the Demonstration. As families secure employment and move off of financial assistance due to earnings, total family income significantly increases. In comparison to financial assistance families without earned income, the total income of financial assistance families with earned income is 25% greater. The total family income of persons employed, but still receiving Food Stamps, is 58% greater. Total family income includes grants, Food Stamps, unearned income, SSI, and earned income. Increased family income is the result of more families working and increased AFDC and Food Stamp earned income disregards.

•Diversion: 119 families were diverted from ongoing financial assistance through a one-time payment and support services during the first year. From June through December, 13% of new applicants eligible for financial assistance were diverted. In most cases, diversions funds were used to assist families until they could secure employment and receive employment income. A few cases, were diverted until child support or social security payments could be secured. Of the 119 families diverted, only 17(14%) of the diverted families returned and were receiving financial assistance in January.

•Sharp Increase In Cases with Earned Income: Due to an increase in the number of people entering employment each month, an increase in the number of cases with earned income has occurred. At the three Demonstration sites, the percent of financial cases with earned income increased from 18% of the total AFDC caseload at the start of the demonstration to 24%.

Under the Demonstration, exemptions from participating due to age of the children are eliminated. Kearns experimental group parents with children under the age of 3 are working as frequently as those with only older children. This is not the case with the control group.

•Transitional Medical Assistance: The number of families leaving financial assistance, but receiving 12 month Transitional Medical Assistance while employed, has doubled. While a portion of this increase is explained by demonstration policy changes, the majority of the increase is due to an increased number of families leaving financial assistance because their countable earnings are more than double the grant level. Under the demonstration, the first $100 of earned income and 45% of the reminder is disregarded, and the disregard is not time limited. The number of families receiving transitional child care assistance has also increased.

•Decreased Caseload: The number of Kearns experimental group families receiving financial assistance declined by 22% since January 1993. In comparison, the number of control group families declined by 11%. The St. George caseload which had been increasing very rapidly prior to the demonstration, leveled off with implementation and has declined by 6% over the past 7 months. The caseload at the Roosevelt site has slightly increased.

•Federal cost neutrality requirements: The preliminary report to the Administration for Children and Families showed a significant savings in AFDC and Food Stamp benefits and administration costs during the first four quarters of program operation. Note: child care costs were not included in the preliminary report. Because of a lag in paying providers, accurate Medicaid costs are only available for the first two quarters when a slight savings occurred.

•Self Sufficiency and Employment Costs:. The additional cost for the Kearns Demonstration case management and employment service is approximately $500,000 annually or $500 per financial assistance case. In addition to JOBS, this cost has been more than offset by AFDC grant savings within the first 8 months of program implementation. The above cost does not include additional child care costs.

Source of data. The above results are from data provided by the independent evaluator for the Utah Single Parent Employment Demonstration Program, the Social Research Institute, Graduate School of Social Work, University of Utah, Salt Lake City, Utah 84112. The lead researcher is Fred Janzen (801) 581-3641.

STATEMENT OF CARMEN SCHULZE, DIRECTOR, MISSOURI DIVISION OF FAMILY SERVICES

Senator HARKIN. Now, we have Carmen Schulze, who is the director of the Missouri Division of Family Services. Welcome, Ms. Schulze.

Ms. SCHULZE. Thank you, Mr. Chairman, and members of the subcommittee. It is my pleasure as a Missourian to come and testify before this committee today and express support for your very Midwestern common sense approach to welfare reform.

This is very compatible with the comprehensive package that Missouri is embarking upon which we call beyond welfare. Our focus in beyond welfare is wages, not welfare, and that our whole package will deal with wages, not welfare, and integrating two waivers which I am going to talk about in a minute into our strategy for welfare reform.

In Missouri, we are looking at a multipronged approach. We want to begin the approach by preventing welfare first, and targeting some of our resources at our very vulnerable populations, our juvenile justice, our child welfare foster children population, seeing that they leave our systems with the necessary life skills, transitional living skills, job skills, employment skills, to help them not find a way that the only way to survive out in the field is to go on AFDC, but to actually be able to move forward into a career.

We do that by building on some of the resources available in Missouri, and one of those that I particularly want to highlight is integrating parents as teachers as an integral part of our program throughout the strategy.

The next focus of our comprehensive welfare reform strategy is reducing welfare. That program mirrors many of the previous participants' discussions of building on the jobs program, which we call futures. Futures in Missouri mirrors many of them nationwide—individualized plans, case management, so that we can work with a participant as they go through ups and downs in their daily lives. Key, and to stress and emphasize, a key is the support service that is necessary—transportation, child care, medical services are all vital as they move toward self-sufficiency.

Also in reducing welfare is a strategy which is family focused, and that is helping children by helping their dads, and by helping their dads be able to pay child support through parents fair share. We have been able to pilot the program, and now we are looking for expansion in Missouri, where we work with the absent parent, typically the father, enhance his skills and ability, so that he can become not only a parent who is helping make decisions for the child, but also to take his responsibility and to pay child support.

The last focus in our comprehensive plan is ending welfare, and we certainly feel that real work pays, and real work works. We want to use and have received a waiver to take AFDC grants and now finally approval from USDA to include food stamp benefits, and take those, total those dollars up, and combine that with an employer who may be leaving Missouri for another nation or country off-shore, and provide wage supplementation.

We feel this is a key for both rural and urban, though many times one size does not fit all. By being able to do wage supplementation with an employer who might be leaving, they can

provide jobs, keep the jobs in our States, do this for a maximum of 48 months so that there is a relationship built between the employer and our participant in the program, have child care and medical coverage for that time, and also develop a job progression plan.

In our wage supplementation program, we will begin this in Kansas City through our project known as the "21st Century Program," and we look forward to working with a number of employers who have committed to becoming part of a recommitment to revitalizing the community and to offering opportunities for AFDC moms and dads.

Based on where we are starting this, we have come to the conclusion that welfare reform is more than just State government and Federal Government, but it is a community, and you have to have the community invested in those programs.

PREPARED STATEMENT

I think the question for us is, do we want to keep the cheapest welfare system that we have today, and obviously maybe writing grants is the cheapest, or do we want to do what our previous panelist, Monica Crumb said, and that is to help dreams become realities, to have better lives for families, and have everyone look forward to a better life for their children.

Thank you for this opportunity to talk about what is going on in Missouri.

[The statement follows:]

STATEMENT OF CARMEN SCHULZE

An Overview

The 21st Century Communities initiative is a ten-year, comprehensive approach to the development of 20 low-income communities with a combined population of 1 to 2 million economically disadvantaged Americans. Five pilot communities will be launched in October, 1992 and the remaining 15 communities will be selected through a competitive process by a group designated by the Secretary of HHS. 21st Century Communities will be pursued through a series of partnership strategies among government, the private sector and local community organizations. These strategies will incorporate successful approaches, such as Head Start and child support enforcement, and bring them together with new initiatives in areas such as job creation, wage supplementation, comprehensive "learning readiness", and family and neighborhood support.

The 21st Century Communities initiative is designed to be in two phases. Phase I, most of the major components of the initiative will be put in place quickly, without new legislation. Legislative action will be pursued during Phase II to complete the overall implementation of the initiative.

Phase I Activities

Phase I of the initiative, which will begin immediately, focuses on nine major areas of community development and job creation.

- Job Creation
- Support Community-Based Enterprises
- Wage Supplementation
- Non-Wage Benefits
- Job Entry Training
- Job Progression
- Learning Readiness and Education
- Comprehensive, Integrated Family and Neighborhood Supports
- Expanded Housing and Home Ownership Opportunities

Phase II Activities

The passage of legislation will be needed to complete Phase II. Legislation will permit Unemployment Insurance beneficiaries to participate in wage supplemented employment and improvements in the following four related community development areas:

- Expanded Support for Community-Based Businesses
- Expanded Job Training and Employment Preparation

- **Employer and Investor Tax Incentives**

- **Employee Tax Incentives for Non-Supplemented Employment**

Management

The initiative will be managed by a Steering Group containing all of the federal partners under the leadership of the Department of Health and Human Services. The federal partners include HHS, Agriculture, Labor, Education, Housing and Urban Development.

Evaluation

The initiative will be evaluated by an independent third party who will assess impacts on community residents, business, and the community infrastructure and conduct a cost-benefit analysis from the perspectives of the participant, the community, the government, and the taxpayer. The evaluation will be longitudinal (i.e. to assess changes affecting both individual community residents and the community itself over time.

Federal and State Costs

Overall, implementation of the 21st Century Communities will result in both a net decrease in Federal and state budget outlays and a net increase in budget revenues throughout the ten year project period.

THE MISSOURI PERSPECTIVE

WELFARE REFORM: "BEYOND WELFARE"

In December 1993, Governor Carnahan launched "Beyond Welfare," a major initiative to prevent, reduce and ultimately end welfare in Missouri. His proposal is a comprehensive package with a single focus - replacing welfare with wages. It addresses the fundamental causes of welfare dependency: lack of family support, lack of job skills and work habits, and the intergenerational cycle of welfare reliance.

Though in its infancy, "Beyond Welfare" is already recognized as a national model for welfare reform. The proposal is unique in its:

- Front-end concentration on prevention, rather than a narrow focus on moving recipients off the welfare rolls once they apply.

- Use of AFDC and human service funding streams to create real private-sector jobs in low-income communities.

- Efforts to connect non-custodial fathers with their children both economically and emotionally.

Governor Carnahan's initiative recognizes that, in welfare reform, one size does not fit all. Many provisions of "Beyond Welfare" depend on federal waivers and increased flexibility to mold programs which meet individual needs and move people from dependency. Support from members of

Congress will be critical as Missouri works with the federal government to make "Beyond Welfare" a reality.

21st Century Community Waiver Request:
As a first step toward comprehensive, statewide welfare reform, Missouri implemented the 21st Century Communities demonstration project -- an innovative project to link economic development and human services. The initiative is a partnership between all levels of government, the business community, foundations and civic organizations. 21st Century Communities incorporates both Aid to Families with Dependent Children (AFDC) and Food Stamp benefits in a wage supplementation package which translates into an economic incentive for inner city revitalization.

In January 1993, the U. S. Department of Health and Human Services approved a waiver allowing Missouri to use AFDC grants for wage supplementation for up to 48 months. A Food Stamp "cash-out" waiver is required with the U. S Department of Agriculture (USDA). Though other states have received similar waiver authority, USDA has twice denied the Missouri request. This significantly reduces -- by 50% -- the incentive for the private sector to create jobs that encourage redevelopment and security.

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KC

Reforming welfare

If welfare reform as Gov. Mel Carnahan envisions it comes to pass in Missouri, life will be better for many of the poor, and the state ultimately should save money.

His proposal, called "Beyond Welfare," seeks to replace much of the Aid to Families with Dependent Children subsidies, the major cash welfare program, with wages as clients become private employees and move out of poverty.

Few could argue with the goal of helping people become independent taxpayers while striking a major blow at one of society's most stubborn social problems. Moreover, other Carnahan goals are also universally desirable: nurturing the family, particularly by getting some fathers re-involved, expanding educational focus and, most ambitious of all, preventing welfare by working with families on the edge to keep them from falling into poverty.

It will not be simple, however, or free. As one long-time social service leader observed: "Frankly, keeping (people) on welfare is probably cheaper than sending them to work."

Certainly it's not better. Carnahan deserves credit for assembling the many pieces needed to change the system that he calls a failure. Especially encouraging is the oft-repeated intention to treat welfare recipients as individuals, to tailor different parts of the new program to fit their unique situations.

Among the most critical pieces of the package are those providing for education, training and job creation, and those extending essential services for mothers if leaving their children for the workplace is to make any sense. The latter includes day care, transportation aid and continued eligibility for Medicaid in spite of wage-driven income increases.

New costs for the program are modest, considering the benefits if the proposal is successful. Carnahan seeks about $4 million new general revenue funds. It will pay for expansion of the successful Parents as Teachers program and to broaden the state's experimental Futures project that's been going on for two years in the Kansas City area. The extra services, including job training and crisis counseling that professionals want in welfare reform, are the core of Futures, already successfully tried by 923 welfare recipients in Jackson, Clay and Platte counties.

Additions and subtractions to the proposal are to be expected as public debate proceeds; the right ones can strengthen the package.

The welfare system has flaws from top to bottom. Any good-willed initiative to reform that system is welcome.

Shortcuts To Welfare Reform

SL 1/20/94

"Two years and you're off" is the new cruel warning many politicians want to send to welfare recipients. Colorado is the latest to seek two-year limits on welfare participation, and Massachusetts is pushing an even more drastic approach. It proposes that all able-bodied welfare recipients be forced into full-time community service after 60 days.

The Supreme Court should strike down these punitive measures in the same way it has just forbade Minnesota to limit benefits to welfare recipients who have lived in the state for less than six months. In the Minnesota case, the court left intact rulings that a state law imposing such limits violated new residents' equal-protection rights and their right to travel. This ruling sends the proper message to Illinois, California and other states seeking to impose similar restrictions.

Proposed time limits for receiving Aid to Families with Dependent Children aren't new. President Bill Clinton backs two-year limits; so does New York Gov. Mario M. Cuomo, a liberal Democrat. But the way the time-limit suggestion has snowballed in recent months shows that many politicians are more interested in exploiting the issue than helping people who need public assistance.

Fortunately, Missouri hasn't joined the welfare-bashing crusade. Instead it is making a laudable effort to find permanent answers rather than feel-good solutions. The state's aim is to place recipients in private sector jobs and find ways to supplement their wages. More realistic than the proponents of the two-year benefit limit, Missouri estimates it might take up to five years to help recipients get on their feet through its private-sector approach.

A recent report by the Urban Institute warns that policies designed to tackle short-term issues cannot cure long-term ills. That message needs to be sent to most welfare administrators. They insist that a two-year limit isn't punitive. But neither is it a long-term answer. Some politicians haven't even bothered to figure out how needy recipients would cope in the event they can't find work after two years on welfare. In some instances, the recipients would have to perform community work as a condition for continuing to get public aid. In effect, they would be required to work off their grants.

This approach does nothing to move them closer to training for private-sector employment. Politicians serious about reforming welfare shouldn't talk about punishing recipients but about giving them incentives to become self-sufficient. These include job-training, along with comprehensive social services. There is no better way to help public aid recipients make strides toward private-sector jobs at wages that would free them from welfare dependency.

Missouri Governor Mel Carnahan's Family Self-Sufficiency Initiative

BEYOND WELFARE

EXECUTIVE SUMMARY

Nearly everyone agrees that welfare is a burdensome system that undermines family strength and discourages work. But welfare reform too often means adding more restrictions and regulations to this already complicated system.

The welfare system needs more than tinkering around the margins. It needs to be replaced with a new system that supports the values Americans place on work and family.

BEYOND WELFARE is a comprehensive proposal with a single focus to *replace welfare with wages.*

It addresses the fundamental causes of welfare dependency: lack of family support; lack of job skills and work habits; and the intergenerational cycle of welfare reliance.

BEYOND WELFARE will:

- **Prevent Welfare** by targeting children and young adults who are at risk of entering the welfare system. It will wrap a comprehensive educational and job-training package around them to prepare them for work and self-sufficiency as adults.
- **Reduce Welfare** by strengthening families' abilities to be self-sufficient. The state will provide jobs, education, and parenting skills, while parents will be held accountable for their actions and responsible for their children.

- **End Welfare** by putting recipients to work, creating new jobs, and limiting the time they can rely on welfare. Recipients will work for wages, and transition gradually off welfare. They will be given the tools necessary to lift their families off the welfare roles and develop a time-limited plan for self-sufficiency.

Data from Missouri's FUTURES program and similar welfare-to-work programs from around the country have consistently shown that graduates, who take advantage of job-training and educational opportunities, increase the earnings and ability to lead a life free from welfare.

BEYOND WELFARE includes measures aimed at:

Wages not Welfare — AFDC grants will be used as wage supplements to create jobs, reward work, and promote economic development. AFDC recipients and community residents will be trained to provide some neighborhood services that are often assigned to professionals from outside the community. Work will be rewarded by allowing families to keep a greater share of the money they earn without experiencing a sudden loss of resources.

Family Self-Sufficiency — Families can negotiate a time-limited Family Self-Sufficiency Pact. The Pact will lay out steps a family will take to achieve self-sufficiency within a time period tailored to the needs of the family. In return, the state will provide needed support services.

Fathers and Their Children — Fathers who owe the state child support can earn credit against their debt by becoming more involved in their communities and their children's lives. Also, fathers paying child support will have a larger roll in their children's lives by establishing savings accounts for their children with child support payments.

Educare — Child care funding will be used to increase the educational quality of day care. Schools will be able to use federal funds to either establish Educare programs at sites away from schools, or provide support services and educational enhancements to child care providers that offer Educare. The proposal includes other educational measures to help young people at risk of becoming welfare dependent be self-sufficient.

PREVENTING WELFARE

Educare: Tie child care funding to school-linked sites, helping to ensure that all children begin their schooling ready to learn.

Funding: General Revenue Reinvestment, $1,028,000
Federal, $23,360

Parents as Teachers: Extend Parents as Teachers to meet the needs of low-income families and communities, increasing their access to the program.

Funding: Outstanding Schools Trust Fund, $503,105

Independent Living: Because former foster and juvenile-justice children have a much greater chance of becoming welfare dependent, increased employment opportunities and mentoring programs will stabilize their futures and help them move to work upon leaving state care, rather than depend on welfare.

Funding: General Revenue Reinvestment, $1,682, 902
Federal, $739,733

Mentoring: Establish a volunteer program for business leaders, teachers, and neighbors to become mentors for adults, teens, and children who receive welfare.

Funding: (See budget page item, Welfare Reform Initiatives.)

School-to-Work: Because 40 percent of high-school graduates do not go on to college, begin an initiative that prepares secondary-school students to obtain jobs upon graduation.

Funding: Department of Elementary and Secondary Education
Federal Grant, $290,000

Decentralization/ Integration of Services: Increase access to needed services and avoid duplication and waste by integrating human services and job-training programs at common sites.

Funding: General Revenue Reinvestment, $396,649
Federal, $322,230

REDUCING WELFARE

Expanding FUTURES: Because of the success of FUTURES, the availability of the program should be expanded.

Funding: General Revenue New Spending, $3,612,262
Federal, $4,801,793

Mo. Parents' Fair Share: Expand this program in Kansas City and St. Louis City, and expand it into other communities in the state. The program improves the job prospects of non-custodial fathers whose families receive welfare.

Funding: General Revenue Reinvestment, $141,358
Federal, $241,320

Child Support Credit: Allow fathers to earn credit against child support debt for responsible behavior exhibited through activities such as participation in community work programs and attending job-training or educational programs.

Minimal cost to state.

Mediation: Give parents greater voice in resolving disputes by increasing the availability of mediation services when visitation issues become barriers to child support payment.

Funding: General Revenue Reinvestment, $196,463

Paternity Establishment: Expand programs that establish paternity in hospitals following birth and obtain a waiver to deny benefits until the father has been identified.

Funding: General Revenue Reinvestment, $38,637
Federal, $75,000

Reward Work: Create a more gradual transition to self-sufficiency by allowing families to keep a greater share of the money they earn without experiencing a sudden cut in aid and loss of monthly income.

Funding: General Revenue Reinvestment, $363,218
Federal, $536,782

Family Stability: 1) Create more flexible eligibility requirements for adolescent parents so they are not forced to leave home to qualify for benefits.

2) Disregard wages of teenagers who remain in school, live with their families, and do not have children of their own.

Minimal cost to state.

ENDING WELFARE

Wages not Welfare: Work works, not welfare. Use AFDC grants as wage supplements to create jobs and economic development in low-income neighborhoods.

Funding: (See budget page item, Welfare Reform Initiatives.)

Missouri EITC: Enter into a partnership with the Treasurer's office to advance a portion of Earned Income Tax Credits to AFDC clients. The Treasurer would then be reimbursed by the federal government.

Cost undetermined.

Family Development Accounts: Allow AFDC families to open savings accounts for a specific purpose, such as education or home purchase, and disregard the money invested from their eligibility calculation.

Minimal cost to state.

Savings Connection: Create a savings program for children whose parents participate in FUTURES or FUTURES Connection. The money would be saved for an agreed-upon item and available to the children when parents graduate from FUTURES.

Minimal cost to state.

Family Self-Sufficiency Pact: Upon application, each family member would agree to a plan that will lead to self-sufficiency within a time limit tailored to the needs of the family. The Pact would establish mutual obligations on the state and each family member.

In addition, the Pact would include a Parent and Child Development Plan that would improve the parents' skills as caregivers and identify special needs of children.

Funding: (See budget page item, Welfare Reform Initiatives.)

Neighborhood Job Creation: Train AFDC recipients and neighborhood residents to work as:

- Parent educators in Parents as Teachers.
- Day-care providers.
- Elderly home-care givers.
- Foster parents.
- Mediators in child-support and custody disputes.

Funding: (See budget page item, Welfare Reform Initiatives.)

BEYOND WELFARE

Budget

Note: BEYOND WELFARE calls for about $4 million in new spending of General Revenue. Funds for the remainder of General Revenue items are on hand from the reinvestment of federal matching money.

Program	General Revenue	Federal
Educare	$1,028,000	$ 23,360
Parents as Teachers*	503,105	
Independent Living	1,682,902	739,733
School-to-Work		$290,000
Decentralization/ Integration of Services	396,649	322,230
Expanding FUTURES*	3,612,262	4,801,793
Mo. Parents' Fair Share	141, 358	241,320
Child Support Credit	*minimal*	*minimal*
Mediation	196,463	—
Paternity Establishment	38,637	75,000
Reward Work	363,218	536.782
Family Stability	*minimal*	*minimal*
Missouri EITC	*undetermined*	
Family Development Accounts	*minimal*	*minimal*
Savings Connection	*minimal*	*minimal*
Welfare Reform Initiatives	1,226,120	316,297
Mentoring		
Wages not Welfare		
Family Self-Sufficiency Pact		
Neighborhood Job Creation		
SUB TOTALS	$9,188,714	$7,346,515
TOTAL	**$16,535,229**	

* New spending. The remaining G.R. items, $5,073,347, are reinvested federal funds.

FUTURES & AFDC

Participant Profile — *FY '91-'92*	FUTURES	AFDC
Average Age	24 years	28 years
Average Age at Birth of First Child	20 years	22 years
Average Number of Children	2.1	2.0
Average Education Level	11.4 years	11.2 years

FUTURES PARTICIPANTS' EDUCATION LEVEL – *FY '91-'92*

Education Level	Number of Participants
Less than 9th Grade	362
9th Grade to 11th Grade	3,100
High School Graduate	3,686
Some College	880
College Graduate	48
Post Graduate	8

FUTURES WAGES – *FY '94*

Participants = 1,360; Avg. Wage = $5.56

Participants Earning Wages	Percent	Wage
44	3%	<$4.25
568	42%	4.25-5.00
363	27%	5.00-$6.00
175	13%	6.00-7.00
212	15%	>$7.00

FUTURES PARTICIPATION — *October 1993*

County	Monthly FUTURES Enrollment	Parents' Fair Share
Boone	97	N/A
Cole	41	N/A
Greene	213	N/A
Jackson	920	145
St. Louis County	670	N/A
St. Louis City	1,100	85
Statewide	6,200	230
Projected FY '95	8,300	850

AFDC CASELOAD — *OCTOBER 1993*

Average Family Monthly Grant $290

County	Families	Children	Payments
Boone	1,527	2,705	$386,915
Cole	1,094	1,727	160,278
Greene	2,526	4,387	645,113
Jackson	14,896	28,975	3,957,910
St. Louis County	11,293	20,650	2,906,556
St. Louis City	20,273	42,277	5,484,265
Statewide	90,855	171,828	23,857,972

Data provided by Missouri Department of Social Services/Research and Evaluation

Senator HARKIN. Ms. Schulze, thank you very much. Where is the Missouri program now? Have you gotten these waivers?

Ms. SCHULZE. We have received the waiver for the 21st Century Community Demonstration Program. We also have a waiver to continue the Parents Fair Share Program outside of the original research project. We have just received permission from USDA to actually cash out their benefits, and so we will now be actually starting the program.

Senator HARKIN. How about the wage supplement program?

Ms. SCHULZE. That will be started by July 1. We hope to have a number of participants involved in a wage supplementation program in Kansas City. We have a number of rural sites that are also very interested in looking at wage supplementation as an alternative because of work force—difficulties in locating work force in rural Missouri.

Senator HARKIN. One thing that caught my attention when you were speaking had to do with the involvement of the private sector. We had one of our experimental programs in Iowa—let me back up a second.

In Iowa, we started on our experiments about 8 years ago, 7 or 8 years ago, something like that, in 1988, in which different communities around the State were challenged to come up with different experimental approaches to welfare.

One that I am thinking about I visited on more than one occasion in Cedar Rapids, which is our second largest city in Iowa in which they had aggressively involved the private sector in—and I use this word. This is my own term, not theirs, but in mentoring. They would actually adopt a welfare recipient and that private business would—maybe not just one, maybe they would do two or three, but they would track them. They would give them support, even to the point of transportation, and then they would give them maybe a part-time job, involve them in the work force structure.

I met with these private businesses there who had been involved in this now for 2 or 3 years at the time I was meeting with them, and they were highly enthusiastic about it, because they could see a hands-on approach. They could actually see someone they were working with who was moving from welfare to self-sufficiency.

I am just wondering, is this part of some of the things you are doing in Missouri?

Ms. SCHULZE. Certainly. I agree with you that the private business, Senator, is very key toward seeing a change in what we value and how we work with individuals.

In Missouri, we have several mentoring programs, but we have targeted much more at preventing welfare, and we have gone to the young teen who is in our care and custody as a foster child and used it to help them, again, build skills and self-esteem so that when they are no longer in the system, that they do not see that the only way to be able to survive is to have a child and go on public assistance.

We certainly support any mentoring for AFDC moms also.

Senator HARKIN. I had one AFDC mother who had been involved with one of the private businesses in Cedar Rapids who told me that she really liked it because it gave her a lot of work skills. She said, well, now I know how to dress, and I know how to do this

when I go to work, and she said, I also liked it because after all, I am not going to be working for the Government, I am going to be working for private business some place and I have to know what they want, and what they are looking for. So I am hopeful that however this proceeds that we involve the private sector more than we have in the past with direct hands-on approach in this welfare reform.

Ms. Hansen, you have had some great success in Utah.

Ms. HANSEN. We hope we have.

Senator HARKIN. Tremendous success, and you have been in existence for over a year?

Ms. HANSEN. Yes.

Senator HARKIN. Your experience is like we had. You went from 18 percent to 24 percent in 12 months of welfare people who are working.

Ms. HANSEN. Right.

Senator HARKIN. We have had that in about—less than 6 months, so we have seen the same kind of increase.

Ms. HANSEN. We also are seeing right now a grant saving of $115,000 a month, statewide, and our legislature has just given us permission to increase the span of the demo with savings based on the grant savings.

Senator HARKIN. I liked your statement that at the demonstration sites the offices are employment offices. Welfare is ended as we know it. Families apply for the Single Parent Employment Program, and not AFDC.

Ms. HANSEN. Right.

Senator HARKIN. That is very important.

Ms. HANSEN. That has been a hard lesson for all of us to learn, but as we have changed the culture, we found that it is very successful, and the majority of clients feel very good about the opportunities to come in and let us help them toward the path of employment.

Senator HARKIN. You say the public and private partners have maximized resources. How do you involve the private sector?

Ms. HANSEN. This is one of the areas that we have really learned to capitalize on in the past year. At the present time, we have a high-powered consultant from the private sector that had some experiences with some clients that really made her think that she had an important role in helping families move out of poverty.

She provides an 18-week course for clients, and a mentor from the private sector that helps the mentor and the client move into empowerment and self-esteem—how to dress, how to interview. Some 80 clients and mentors have been through the program, or are going right now through the program. They spend every other Saturday for 18 weeks going through the program, then the mentor sort of adopts the client to help them through their postemployment period.

The clients and the mentors are extremely pleased with this program, and it really has increased the private sector's involvement, and most of the mentors want to run the program themselves, and they are learning from the consultant on how to do that. We feel very pleased. It has been highlighted in the legislature, it has been highlighted with the media, and we feel very positive.

The interesting situation is that we have more mentors that want to participate than clients. We feel really good about this program.

Senator HARKIN. That is very good. When you mentioned those 44 waivers—Senator Bond, can you believe 44 waivers? I share his exclaim at that. Can you get us a list of those? I would like to just see what those are.

Ms. HANSEN. You bet.

Senator HARKIN. That will give us an idea of what we ought to be looking at, too.

Ms. HANSEN. We did not think we would get them all, but we did, and it has really made the program so much more effective.

Senator BOND. Senator Bennett had mentioned that to me, and I just wanted to check and make sure he was giving us the straight scoop. It is amazing to me that we have so many restrictions on a State program that you have to get 44 waivers. I think that may be telling us a rather broader message than just the individual waivers.

Senator HARKIN. That is true.

Ms. HANSEN. We could run this program statewide right now, without even a demonstration, if we had the waivers for the regular jobs, participants. But without the waivers, we feel that the program would be very punitive, and really would not give the opportunity to the jobs participants that it does to the demonstration participants.

Senator HARKIN. What has been your average time getting people to self-sufficiency? What would you say it has been?

Ms. HANSEN. Throughout the State on the jobs program it has been about 2½ years. On the demonstration program, it varies because there are so many components that we found that many participants really do not want to stay on welfare, and that if we can help them find employment, or get to a position where they can find employment on their own, the stay is very short.

Senator HARKIN. Ms. Crumb, I must admit that I am somewhat surprised, I guess, a little bit, that your individual agreement is for 2 years. You seem to be a very intelligent, self-motivated individual, very bright. You had a good work career beforehand as a secretary for 10 years or more. You have now been on welfare for 2 years, is that correct, AFDC?

Ms. CRUMB. Yes.

Senator HARKIN. I guess I am just wondering—and maybe Ms. Rowe could help me with this, I do not know. Why is it going to take 2 more years for you in your agreement?

Ms. CRUMB. Well, for me personally it is because I am going to start school in September. The course I am taking is to be a medical assistant. It is a 14-month course. The rest of the time they are giving me to—once I can get out of school, I can come up and they will assist me on finding a job, so they are basically giving me ample time, enough time to be able to get through school and to become employed, and that is what is in my agreement.

Senator HARKIN. What do you have to do? What are the terms that you have to live up to? You have already signed your agreement.

Ms. CRUMB. Yes; I have.

Senator HARKIN. So what are you doing right now?

Ms. CRUMB. I am currently looking for part-time work. That is my first goal in my agreement. I will be able to work part-time and still receive some benefits until I start my schooling in September.

Senator HARKIN. So between now and September you have to find a part-time job.

Ms. CRUMB. Right.

Senator HARKIN. And you are actively looking right now, is that the idea?

Ms. CRUMB. Yes.

Senator HARKIN. Will the State then provide you with, what, child care?

Ms. CRUMB. Yes; it will be like a reimbursement type of thing, but they will help me, where before I had no help at all.

Senator HARKIN. Do you have a car?

Ms. CRUMB. Yes.

Senator HARKIN. Now, recently I notice Iowa raised its——

Ms. CRUMB. I have somewhat of a car.

Senator HARKIN. Somewhat of a car? The national was, what, $1,500? If you had a car valued at over $1,500, you could not qualify for AFDC. Iowa just doubled that to $3,000. I notice in Utah you went to $8,000.

Ms. HANSEN. Right. It has really made a difference to have dependable transportation.

Ms. CRUMB. Oh, yes.

Senator HARKIN. I can imagine. That is one of the reasons we tried to double it in Iowa. Maybe we ought to think about even more. I just wonder, has that helped you in terms of transportation?

Ms. CRUMB. Yes; it could, because I am currently looking for part-time help. My car is, like, I can get where I am going, but like, in the wintertime, you know how Iowa's winters are. I might need tires, you know. So yes, that would help me a lot.

Something else I was really impressed with was what they were saying about the private sector and the mentor program. I feel that that is a must, because if you could have just one employer take one participant—we are not asking them to take five or six, but just one, it would make a big difference and support us all the way through to self-sufficiency would be a plus.

Senator HARKIN. I know there is one business that I remember in Cedar Rapids, we were talking about transportation. Their total involvement—well, not total, but most of their involvement with one client was making sure she had transportation. She had a car, and their agreement was they would ensure that that car always ran.

I remember her telling me that in the wintertime it would not start and the battery died, so the business called up the local garage and had them deliver a battery, put in the new battery, and they paid for it. Then they bought her tires, and they paid for repairs. They just made sure that her car always ran, and that she could depend on it. That was quite an involvement by a private business.

Ms. CRUMB. It is little things like that, like child care and your transportation. It might not seem to be a big issue for a parent, for

two working parents, you know, and a family, but for a single parent and a female at that, you know, to keep your car running, sometimes it is a big issue, and it can stop you from getting back and forth to work.

Senator HARKIN. All right. Thank you very much. I have just a couple of questions of Ms. Rowe, but I would yield.

Senator BOND. Why do you not continue?

Senator HARKIN. Thank you.

Marilyn, tell me, how many families do you work with?

Ms. ROWE. Every week we have 10 interviews that are in our local office in Des Moines, and we try to write 10 family investment agreements each week, but that is just part of the workload that we have.

We also—Monica mentioned the assessment 2 class, which is a week long. We do testing during that. We work on self-esteem building, decisionmaking, goalmaking, so we do have classes that we conduct. We have group orientations, and, of course, we have the paperwork with the child care and transportation, the support services that we have, but we are trying to write 10 family investment agreements each week. We have 10 workers, so our goal is to get 100 each week.

Senator HARKIN. To get 100?

Ms. ROWE. For the 10 of us, 10 for each.

Senator HARKIN. How much would each case worker have to handle? How many different families or investment agreements would one case worker have to handle?

Ms. ROWE. Are you speaking weekly?

Senator HARKIN. No; just total, the total inventory.

Ms. ROWE. That is a little difficult to answer, because once they are completed we may pass them on to another worker to provide additional services. They very easily could come back to us at another point when it is a component that we would have responsibility for, but I suppose—I do not know. It is just hard. Maybe we would have 50 to 60 at our desk at one time.

Senator HARKIN. I was just thinking about you, Monica, and about your situation. I was somewhat surprised about the 2-year thing, but then I got to thinking about it. Your old job, did it pay enough for you to pay for child care and transportation and all that kind of stuff?

Ms. CRUMB. I was making it barely. I made it to the point where, like, I would have to go to my mom and dad for things that, you know, like if my car broke down, I mean, I would have to save a couple of checks to pay for my car, but then that meant that I was not able to pay my phone bill or something, so my parents basically, you know, the support that maybe the system should be giving us, my parents were giving me then.

Senator HARKIN. I guess what I am wondering is, in terms of your going to school, what that will enable you to do is to get a better-paying job——

Ms. CRUMB. Correct.

Senator HARKIN [continuing]. That will enable you to pay for your own child care and your own transportation and everything like that?

Ms. CRUMB. Correct.

Senator HARKIN. I guess that is what I am aiming for—self-sufficiency.

Ms. CRUMB. Yes; you see, it would be easy for me to go out and look for a job right at this present time with my skills, but to be able to become self-sufficient totally, I would have to have a much better-paying job. They would probably start you off like at minimum wage, starting out. I would probably have no medical insurance, you know, and with a young daughter, that is a must.

Senator HARKIN. I just want to reiterate the point that I am trying to make here and that is that a lot of people have said, just go out and get a job. Well, sometimes if it was just a job like one of these public sector jobs that we are hearing about now——

Ms. CRUMB. It would not be enough.

Senator HARKIN. It would not be enough, and that is sort of a dead end. We really ought to be thinking about getting people into self-sufficiency, which is the track that you are on.

Ms. CRUMB. Right.

Ms. ROWE. I think with Monica we were definitely looking long-term, and we want to build something so that she will be self-sufficient, and not back in the system soon, and I think that was the idea, in order to build it for her entire future.

Senator HARKIN. Exactly.

Senator Bond, I am sorry to take so long.

Senator BOND. Oh, that is fine. I was very interested in this.

Ms. Rowe, what level does Iowa cut off the child care assistance at now? This committee funds the child care development bloc grant. At what level do you lose child care? At what level of income do you lose child care assistance?

Ms. ROWE. That is the State bloc grant. I am not sure I can answer that question. You are not speaking in relationship to the FIP, or the family investment program?

Senator BOND. No; I was just wondering, because that is something that we have worked on in Missouri, to feather out the loss of the child care assistance. Well, that is not necessarily in your area. I was just wondering, following up on Ms. Crumb's testimony.

What is the difference in attitude with you and your colleagues now? How do you see the job being different now that you have the family investment plan?

Ms. ROWE. I definitely think that from the participants' point of view and from our point of view it is taken more seriously. It is taken as a plan that is finally going to make a difference where we have concrete steps that are leading toward self-sufficiency.

I think that when we take the extra time to do the assessment procedures and get to know the clients' needs, and spend some time speaking with them, getting their input, that we feel that we have done something that will finally lead to self-sufficiency rather than this client participating in some component, maybe that not being very successful, and going on to something else. We have taken all of their needs and assessed those and put them together, and to lead them towards self-sufficiency, I think as workers we feel very good about that. I think we are doing something that is making a difference.

Senator BOND. Well, I would gather from what we have heard from Ms. Crumb and you that many of the clients, or most of the clients, are really responding well to this.

Do you have any percentage who are just not interested, who still say, you know, I do not need this hassle? How big a cohort is that?

Ms. ROWE. Those that actually come in to the group orientation, which is the very first step, they come into a group orientation that is about 2 hours long. I believe we have only had 10 or under who have listened to what we have to say and then have still said, I would rather choose the limited benefit plan rather than be involved in the program. The number is very low.

Senator BOND. Are there others who have not come into the orientation program who—are you concerned that there might be a small group out there that just are not interested?

Ms. ROWE. Yes; there are some who have failed to respond at all. They of course have the 45-day reconsideration period once they receive a notice of decision, and we are expecting that once they realize that this is for real, and that, you know, they have received the statement that they will be contacted also, but yes, there have been some of those.

Senator BOND. Ms. Crumb, I was very interested to hear about your situation and the problem with child care has already has been addressed. Could you tell us what kind of arrangements you have, and how much you were paying for child care at the time?

Ms. CRUMB. Yes; while I was working, my daughter was only 1 year old through the time that I worked. She was just a personal friend who I had, but she charged me $75 a week, and that was enough to—you know, enough to—I mean, I was just living, basically.

I never had enough to save or to do really anything with, and it is something that I had to pay every week, and that was, like, even if you were into more, like, schooling type of child care, that is even more. Mine was private, but you can pay anywhere from $100 to $125, and it is more expensive when it is, you know, a baby, when it is an infant.

Senator BOND. I guess under 18 months is probably more expensive.

Ms. CRUMB. Right.

Senator BOND. That is almost a $2 an hour hit on your wage, so I can see the problem.

Ms. CRUMB. I am going to have like a little benefit, because my daughter will be 4 years old this year, so by the time that I finish going through my FIA contract my daughter will be 5 years old, so child care will not really be that much of an issue for me when I do become self-sufficient because she will be in school all day then, but it is when you have little children that it is a problem—it is a big problem.

Senator BOND. I might ask you a similar question to what I asked Ms. Rowe. You have some friends who are working in the program. Do you see any real group of people, do you know people who may just not be interested in the Family Investment Act agreement? Do you think we are going to run into those?

Ms. CRUMB. I am sure that you will, only because in this day and age the situation is so much different. You have grandparents that are taking care of their kids'—that is, taking care of their grandchildren. How are you going to have a grandparent that is, you know, 70—well, 60 years old, go out and be a participant of Promise Jobs? This person probably is at retirement stage.

I think that would be the situation, and I do know some friends who are like that, that their parents are taking care of their kids. Welfare is not necessarily taking care of them. That grandmother or grandfather is taking care of that child.

Senator BOND. Is the mother receiving assistance?

Ms. CRUMB. No; the grandparent is.

Senator BOND. That is a very helpful point.

Ms. Hansen, I was most impressed by the 3-percent reduction each month in the caseload that you referred to in the written material. Of all the changes you have made in Utah, which, in your view, were the changes that are central to this reduction? What is really driving this reduction in caseload?

Ms. HANSEN. Well, I think there are two major changes, the first being education of the case managers, and helping them understand that the client is a participant with them in developing the plan.

I think in the past the workers have developed the plan and the participant has not had to take any responsibility if the plan fails. At this point the worker is helping the participant make the plan and the plan is developed by the participant themselves. I think that has really been a key area of the change in the culture that has happened in the State of Utah.

Our demonstration is only 11 percent of our population, but we have what we call demo creep, and that has crept into our jobs plans. We have really made an impact on the whole State, other than the demonstration. At the present time, we are down 700 AFDC cases than we were last year at this time, so 700 is not that many, but we are not building up our AFDC cases. It is going down, and the legislature just funded us for even less because of the trend.

We do not know if that is good or bad, but we feel that we really have an impact on changing the culture and reducing AFDC case loads throughout the State.

Senator BOND. Thank you.

Carmen, I appreciate your mentioning Parents as Teachers, and I am always grateful for the plug. That would be very helpful, and of course you know that Goals 2000 included it.

But to refer directly back to this, from your experience in the family services system, what were the major items keeping people trapped in the system, and what were the biggest impediments to their leaving the system?

Ms. SCHULZE. As we have heard this morning, child care is one of the largest impediments toward leaving the system, lack of self-esteem and confidence in the ability that one can compete in the work world, so we have structured a live skills training program for our participants in our Futures Program to work with each participant individually in enhancing those. Transportation, especially

in the rural part of the State, is a big barrier for leaving assistance.

So I think that based on child care, lack of self-esteem, transportation, and the fear of loss of medical—if my child becomes sick and I do not have any medical, what will I do? Those are the top four, through my experience.

Senator BOND. We are trying to deal with the valuation of the car, allowing States to disregard income for Medicaid—are there child care issues that we should be addressing beyond what we are trying to do in this welfare reform as we look at the reauthorization of the child care development bloc grant?

Ms. SCHULZE. We really support the extension of 2 years for transitional child care. I believe 1 year after going off of benefit may not be enough.

Looking at another issue could be tying child care to a quality approach. We have a strategy that we are going to develop called educare, where we hope that schools and providers in a neighborhood will connect together—home providers, center providers will connect, so that at this time when a child is in child care there is a program, or some educational activities, and we can build in there parents as teachers again.

I mean, I think there are a number of strategies to make sure that when a child is out of the home they are not sitting watching television all day, and if they are watching television, it is appropriate programming.

Senator BOND. Are there any other things that we ought to be dealing with? We do have the 2-year transition in the bill. Are there other items?

Ms. SCHULZE. There were a few specific items that we had submitted. I am not recalling them right at this time, and I will be glad to revise my list of things that I think are important for reauthorization of the child care and development bloc grant moneys.

Senator BOND. Thank you. We look forward to continuing to work with you, and I would say that to all the members of the panel. I certainly appreciate hearing what you have had to say today.

Senator HARKIN. Thank you very much, Senator Bond. Thank you all very much for being here today.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

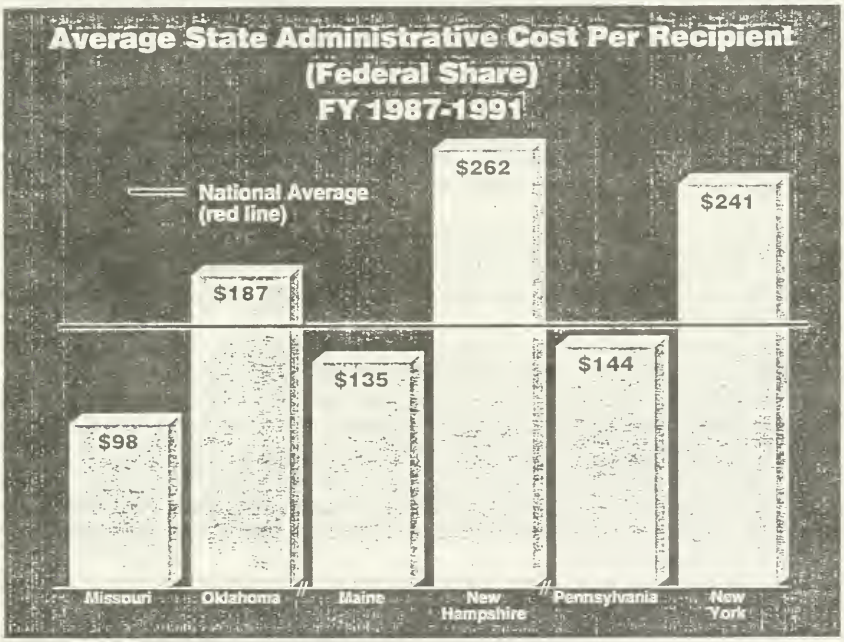
OFFICE OF INSPECTOR GENERAL

STATEMENT OF GEORGE GROB, DEPUTY INSPECTOR GENERAL FOR EVALUATION AND INSPECTIONS

Senator HARKIN. Next I want to welcome George Grob, the Deputy Inspector General for Evaluation and Inspections of the Office of Inspector General, U.S. Department of Health and Human Services.

Mr. Grob will testify on the subject of welfare, administrative costs, and some alternatives to the current cost reimbursement system. Mr. Grob will discuss the unexplained cost disparity among States and administrative costs for the major Federal programs.

I want to illustrate basically what we are talking about here. Lets look at this chart.



As our chart shows, the administrative costs for a recipient vary widely, even among States that have similar characteristics. You can see the national average is the red line, but look at Missouri and Oklahoma, two States that are not all that dissimilar, yet Oklahoma's is over twice—is about twice what Missouri's is.

Then look at Maine and New Hampshire. New Hampshire again is almost twice that of Maine, then you see Pennsylvania and New York, where you have about the same situation, so even States that are somewhat similar show widely varying administrative costs per recipient. Quite frankly, I would like to know why.

Mr. Grob, welcome. Now we can put your charts up.

SUMMARY STATEMENT OF GEORGE GROB

Mr. GROB. Well, you saved me one which I think is actually similar to yours. We will come to that in a moment. That was going to be one of the points we were going to make as well.

Good morning, Senator Harkin, and members of the subcommittee. I am George Grob, Deputy Inspector General for Evaluation and Inspections at the Department of Health and Human Services. I am very pleased to be here to discuss welfare administrative costs. The way we define them and the mechanisms we employ to pay for them we believe are an integral part of welfare reform.

For the past decade our auditors and evaluators have examined administrative costs for all different types of federally reimbursed programs at the State and local level. The Federal Government pays about $20 billion each year for such expenses.

We have found that the systems for allocating costs to Federal programs has grown arcane and has slowly degenerated into a highly technical accounting and allocation maze.

We have little control over the rate of growth of administrative costs or the purposes for which they are spent. We know little about how they are spent or how effectively or efficiently. This is, of course, true of the three large interrelated welfare programs, Aid to Families with Dependent Children, Medicaid, and Food Stamps. Federal payments for administering these programs is about $6 billion a year.

We found that administrative costs for these programs have grown in haphazard, uncontrolled, and unpredictable ways. One indication is the extreme variation that exists among the States in their unit costs.

I will not repeat what you have said already, Senator Harkin. We have similar circumstances to illustrate the point.

In analyzing this data, we were unable to find any correlation between the amount of money being spent and the number of recipients being served, for example. During some years both the number of recipients and administrative costs increased together but at different rates. In other years costs increased and recipients decreased. And in yet other years, recipients increased and administrative costs go down.

We have examined five options to improve the current system. We believe they should be judged on five criteria.

The criteria are in the form of five questions. Are the funds adequate for the effective and efficient administration of the programs? Is there sufficient flexibility and reduced administrative burden for both the States and the Federal Government? Can we control the rate of growth? Is disparity among the States minimized? And, is there greater predictability in budgeting for administrative costs?

The five options that we examined have been discussed widely among policy and program analysts for years. The first is reducing

the special match rates to 50 percent. This is a change just recently made in AFDC, but could still be made in Medicaid and the Food Stamp Program.

Other options are funding through a block grant, funding each State for administrative costs based on a standard rate for each recipient, imposing a cap on the Federal reimbursement of the cost per recipient, and reimbursing States on the basis of its ratio of administrative costs to total program costs.

Each of these options meets the criteria we established to a greater or lesser degree. Depending on which criteria one wants to stress, different options will be seen as having greater strengths or weaknesses.

Administrative costs will be particularly important for welfare reform. Determining and tracking eligibility and making arrangements for supportive services will be challenging. We need to decide how much the Federal Government should pay for these activities, what activities should be paid for, and what mechanisms should be used to distribute the funds to the States.

PREPARED STATEMENT

The first two questions, how much and what for, are policy questions. Our studies have focused on the third question, the mechanism by which the administrative costs are paid. We have presented several options here today that we believe will provide predictable cost control, minimize burdensome oversights, and improve our ability to target and measure the effectiveness of administration.

Thank you for the opportunity to share our work with you. We would be happy to answer any questions.

[The statement follows:]

STATEMENT OF GEORGE GROB

Welfare Administrative Costs

Good morning Mr. Chairman and members of the subcommittee. I am George Grob, Deputy Inspector General for Evaluation and Inspections at the Office of Inspector General (OIG). Thank you for the opportunity to testify on the subject of welfare (or public assistance) administrative costs. I would like to discuss what we have learned about administrative costs over the past decade, and propose some alternatives to the current cost-reimbursement system. I believe that the question of what method the Federal government uses to subsidize State and local administrative costs is an important issue of welfare reform.

Department of Health and Human Services

The Department of Health and Human Services (HHS) is the Federal Government's principal agency for promoting the health and welfare of Americans and providing essential human services to persons of every age group. The Department has two major programs that provide welfare services: Aid to Families with Dependent Children (AFDC) and Medicaid. The AFDC program provides cash assistance to low-income families with children in which one parent is absent or incapacitated, or to families in which the primary earner is unemployed. The Medicaid program provides medical assistance to low-income people who are current or recent recipients of AFDC, recipients of Supplemental Security Income, and certain other low-income people. In addition, the Department of Agriculture's Food and Nutrition Service administers the Food Stamp Program that provides redeemable coupons for food to low-income households which enables them to buy a nutritionally adequate low-cost diet.

Office of Inspector General

Created in 1976, the OIG is statutorily charged with protecting the integrity of departmental programs, as well as promoting their economy, efficiency and effectiveness. To meet this goal, the OIG conducts a comprehensive program of audits, program evaluations, and investigations. Frequently these audits and evaluations offer recommendations or options to improve the ways that programs are structured or operate. They may also suggest ways to save costs.

Background on Administrative Costs

Up to $20 billion or 10 percent of the annual funds the Federal Government provides through grants to State and local governments is used for administrative costs. In FY 1993, approximately $6 billion of those Federal funds were spent on administrative costs for the three major welfare programs, namely, AFDC, Medicaid and Food Stamps.

Administrative costs are the expenses States incur to administer their programs. They are not easily defined since States claim and categorize their administrative costs differently. In general, however, administrative costs include such things as salaries, transportation, and computer services that are billed directly to an agency or program. Personnel costs are usually the bulk of these types of administrative costs and will include service delivery activities such as intake, eligibility determination and sometimes case management. Administrative costs also include allocated costs which are expenses shared among various State and local programs for such centralized functions as purchasing, personnel management, financial management and other common governmental functions.

State and local governments account for administrative costs under a system established 25 years ago through OMB Circular A-87, "Cost Principles for State and Local Governments." The circular sets forth principles, standards, and processes for determining charges to Federal grants. Because States and localities incur costs that benefit both the particular jurisdiction and a wide variety of separate Federal programs, a complex allocation process is used to determine the equitable distribution of these common costs between the States and Federal Government, and across multiple Federal grants.

In particular, State agencies administering Federal public assistance funds must receive prior HHS approval of plans for allocating administrative costs among the various programs that they administer.

The way that we categorize and define welfare administrative costs is not only important for cost accounting purposes, but could also be an element of welfare reform. For example, case management, service coordination, program planning, and outreach activities might be construed as administrative expenses or as important facets of a program to help welfare recipients become independent. Depending on the importance attached to such activities, policy makers may wish to explicitly authorize, precisely define, specifically fund, and separately evaluate them. The methods of financing them becomes important.

Need for Overall Change

In an accompanying report to the National Performance Review (NPR) entitled, "Strengthening the Partnership in Intergovernmental Service Delivery," a chapter is devoted to the need to simplify reimbursement procedures for administrative costs. It notes that "Concerns regarding the effectiveness of the system in controlling costs, as well as the accounting and allocation burdens the current system imposes, have been documented in the General Accounting Office (GAO) and HHS audit reports and expressed by Federal, State, and local officials in interviews."

In one of our recent OIG reports, "Reforming the System for Determination of State and Local Government Administrative/Indirect Costs," we stated that "We now believe that the system for allocating costs to Federal programs has grown arcane and has slowly degenerated into a highly technical accounting and allocation maze." We suggested the need for reform of the total cost allocation system used by State and local governments to assign costs to Federal programs.

The NPR report further states that "Various approaches to changing the system have been considered by members of Congress, OMB, HHS, the Congressional Budget Office, the National Association of State Budget Officers, and the National Governors' Association, among others . . . there remains broad consensus that change is badly needed." The chapter concludes with a proposal to modify OMB Circular A-87 to provide a fixed fee-for-service option in lieu of cost reimbursement. The measure to which administrative costs are most sensitive (e.g., the number of clients, number of payments, program costs expended) would be determined for individual programs.

Needed Changes in Welfare Administrative Costs

The need for change in the overall administrative cost system is readily apparent in the AFDC, Medicaid and Food Stamps programs. It can be seen first in the high cost of accountability and oversight in an open-ended, cost-reimbursed system.

It is widely recognized that there is difficulty in applying consistently used definitions of what is included in administrative costs. Thus, it is hard for the Federal Government to know what it is paying for. In order to know precisely, it would be necessary to increase Federal spending to maintain the necessary monitoring systems and expand auditing activities, or to bring more uniformity to the overall system by establishing a uniform cost accounting system utilized by all States. Many officials question the cost-effectiveness of such additional monitoring or accounting requirements.

The need for reform is also seen in the haphazard, uncontrolled, and unpredictable way that welfare administrative costs have grown over the years. This is evident in the unexplained cost disparity among States and the disconnect between administrative costs and the number of people being served.

Extreme differences exist among States in their unit cost (i.e., cost per recipient) for administering the three welfare programs. The FY 1987 - 1991 average combined cost per recipient ranged from $313 in Alaska to $58 in West Virginia. Clearly, there will be some variation due to cost of living differences, stringency of eligibility requirements and sophistication of automation. Yet, there is no consensus on how much variation should exist or the extent to which each factor influences variation. Neighboring States like Missouri had administrative costs of $98 per recipient, while Oklahoma was at $187. Or Maine was at $135 while New Hampshire was at $262. Similarly, a large State like Illinois was at $113 while New Jersey was at $245.

The other indicator of the haphazard and unpredictable way that welfare administrative costs have grown in the current system is the disconnect between the costs and the workload. Clearly, administrative costs have risen substantially. Even after making adjustments for inflation, they have risen 13.8 percent for AFDC, 43.9 percent for Medicaid, and 10.3 percent for Food Stamps between FY 1987 - 1992.

Knowing that costs have been rising faster than the rate of inflation, one logical question is whether the number of recipients has also been rising proportionately. We could find no direct relationship between the amount of money being spent and the number of recipients. During some years, both the number of recipients and administrative costs increased together; however, they increased at varying rates. Furthermore, in some years administrative costs increased and recipients decreased, and in other years recipients increased and the administrative costs went down.

We calculated correlation coefficients to determine whether the changes in administrative costs are related to the changes in the number of recipients for each State and territory. The correlation coefficients failed to show any significant correlation between these two factors.

These results cause us to further question the nature and magnitude of the relationship between administrative costs and recipients.

With the high cost of accountability and oversight in an open-ended, cost-reimbursed system, and with the haphazard and unpredictable way that administrative costs have grown over the years, we believe the time has come to consider various options to the current system. We also believe that this is a particularly opportune time to discuss this issue while debating the substantive issues of overall welfare reform.

Projected Administrative Costs for FY 1995 - 1999

If we maintain the status quo, administrative costs will continue to rise haphazardly, and efforts to monitor State plans will continue to be prohibitive. We estimated administrative costs for the future.

We feel that it is worth noting here that different people may use different bases for projecting these types of costs. For example, the Congressional Budget Office estimated the three programs separately using a different methodology for each program. Our approach was to estimate future patterns of administrative expenditures based on the actual cost experience of all three programs combined over a 5 or 6 year time frame.

To estimate the level of administrative costs under the current system to FY 1999, we took each State's administrative cost in FY 1992 as the baseline amount. We then made two different projections of future costs by using a 5 year baseline and then a 6 year baseline.

Under the 5 year baseline projection we increased the FY 1992 amount by the State's average annual rate of growth in administrative costs from FY 1988 - 1992. On average, administrative costs increased by about 9 percent for all States on an annual basis. We project that the total Federal share of administrative costs will be $9.8 billion by FY 1999 if the current system remains unchanged. This would be a 84 percent increase over the FY 1992 amount of $5.3 billion.

Under the 6 year baseline projection we increased the FY 1992 amount by the State's average annual rate of growth in administrative costs from FY 1987 - 1992. On average, administrative costs increased by about 10 percent for all States on an annual basis. We project that the total Federal share of administrative costs will be $10.4 billion by FY 1999 if the current system remains unchanged. This would be a 96 percent increase over the FY 1992 amount of $5 3 billion.

Realizing that costs under the current cost-reimbursed system are continuing to rise with no solid predictability other than past experience, we have developed five options to the current system. Our rationale was to build in some predictability for future expenditures and to eliminate the oversight burdens that are inherent in the current system.

Administrative Cost Reform Criteria

In considering possible options to the current system, we felt that, to some extent, any alternative proposal should meet most of the following criteria:

1) **Adequacy.** Funds should be adequate for the effective and efficient administration of these programs.

2) **Flexibility and Administrative Relief.** The States and the Federal Government should have greater flexibility in using their administrative funds, and reduced administrative burden by eliminating the need for data collection and intensive monitoring.

3) **Costs.** The rate of growth of administrative costs should be controlled.

4) **Disparity.** Funding disparity among the States should be minimized.

5) **Predictability.** There should be greater predictability in the system as a result of prospective planning and budgeting for administrative costs.

Funding Options

We present five of several possible options for funding administrative costs. We realize that many of these types of options have been suggested in different versions at various times. We fully expect that if one of these options is implemented, further refinement and adjustment would be required. We also recognize that different options could be combined into one.

OPTION #1: REDUCE SPECIAL MATCH RATES TO 50 PERCENT

Special match rates are provided to States to encourage specific administrative activity, such as the development of automated processes. Special match rates may range from 75 to 90 percent rather than the normal 50 percent. Within the past year, the Administration proposed and the Congress passed legislation that changed the special matching rates for AFDC to 50 percent. Under this option, the special match rates for Medicaid and Food Stamps would also be changed to the normal 50 percent. Currently, the proportion of administrative costs eligible for special matching under Medicaid is 31 percent and under Food Stamps is 12.6 percent.

There would be a reduction in Federal costs. But there probably would not be significant changes in the manner that administrative costs are handled. Questions might arise regarding the ability of the States to continue projects undertaken through the use of the special match.

OPTION #2: BLOCK GRANT

This approach would combine the administrative costs for the AFDC, Medicaid and Food Stamp programs at a base year level, and then increase the block grant each year for inflation. Administrative costs eligible for special matching rates would be included in the baseline amount.

Using this approach, States' administrative burden would be significantly reduced. States would have less reporting requirements to the Federal Government since they would have responsibility for and control the use of funds for administrative activities. This in turn would reduce the cost and administrative burden of oversight and monitoring by the Federal Government. This option would also greatly enhance predictability since the annual increase would grow at the rate of inflation. There would be significant cost savings to the Federal Government under this option since the rate of inflation is considerably lower than the current annual increase in administrative costs.

Some may question if the annual increases under this option would be adequate to meet the States needs. The option also builds into its base the current disparities among States. This approach also does not adjust for a significant increase or decrease in the number of recipients in any given year.

OPTION #3: STANDARDIZED COST PER RECIPIENT

This option funds each State's administrative costs on the basis of a standardized rate per recipient. Though there are numerous ways to calculate a standard cost per recipient, we based ours on the average cost per recipient for FY 1987 - 1991. This average served as the standard cost per recipient for the baseline year of FY 1991. It was increased by inflation in subsequent years as measured by the Consumer Price Index. It was adjusted to compensate for differences in labor costs between States. We used the Bureau of Labor Statistic's listing of State wage levels for government employees to adjust the standard cost per recipient for these differences.

Our cost per recipient figure used an unduplicated count of the number of recipients for all three programs. Unfortunately, none of the three agencies currently collects unduplicated recipient information. Therefore we estimated it by using information from the Survey of Income and Program Participation, which is administered by the Bureau of the Census.

Like the block grant option, a standard cost per recipient approach gives States the responsibility for and control over their administrative funds. States would no longer have to maintain their cost allocation processes for these three programs and the Federal Government could reduce its monitoring burden. Unlike the block grant approach, this option has the advantage of automatically adjusting for the number of recipients.

This option directly addresses the funding disparity that currently exists among States. Each State would receive the same amount of funding for serving each recipient, adjusted for differences in labor costs among the States. This approach also greatly enhances predictability in planning and budgeting for administrative costs prospectively. In addition, this option would generate Federal cost savings by controlling the rate of growth. This type of option is also consistent with the recommendation made by the National Performance Review.

Reporting unduplicated counts of recipients will be a problem for some States.

OPTION #4: CAP

This option would impose a cap on the Federal reimbursement of the cost per recipient. Each year States would be reimbursed up to a percentage above the median cost per recipient for all States.

To calculate Federal funding under a "cap" approach, we first determined the cost per recipient for each State for FY 1991. Then we determined the median cost per recipient of the States in FY 1991. Next, the cap limits the amount of funds States receive beyond the national median. To illustrate the different impacts that different cap levels might have on States, we considered two cap levels: 150 percent of the national median, and 125 percent of the national median.

Under this approach, States that have administrative costs in excess of the cap would receive only the cap amount. States that have a cost per recipient below the cap would receive their actual cost.

This option would reduce some of the funding disparity among the States and would reduce Federal expenditures by impacting the highest cost States.

A cap option would still require States to submit cost allocation plans and the Federal Government to monitor these plans. It would not improve predictability in the system.

OPTION #5 FLAT PERCENT

This option would reimburse each State on the basis of its ratio of administrative cost to total program cost. Specifically, we calculated the FY 1991 ratio of administrative cost to total program cost. We then applied that ratio (or percentage) to the estimated benefit payment in subsequent years.

This option would provide significantly more money to the States since the current growth rate in benefit payments is higher than the growth rate in administrative costs. This option would also simplify the system for funding administrative costs and could eliminate or modify their currently burdensome cost allocation system.

Budgeting for administrative costs under this option would continue to be done retrospectively since it will be based on annual program costs. There will continue to be disparity among the States since future administrative funding will be based on the current ratio of administrative costs to total program costs. There would be a larger increase in Federal funding than is projected under the current system.

Cautions in Considering Options

The administration of public assistance programs is a complicated matter. Various financial arrangements can create incentives, not all of which can be predicted and some of which could be troublesome. For example, use of unit cost as a basis of distributing funds, even if adjusted for labor costs, might fail to address expenses of special initiatives which might then not be fully funded. Therefore, specific changes need to be analyzed in terms of adequacy, efficiency and targeting.

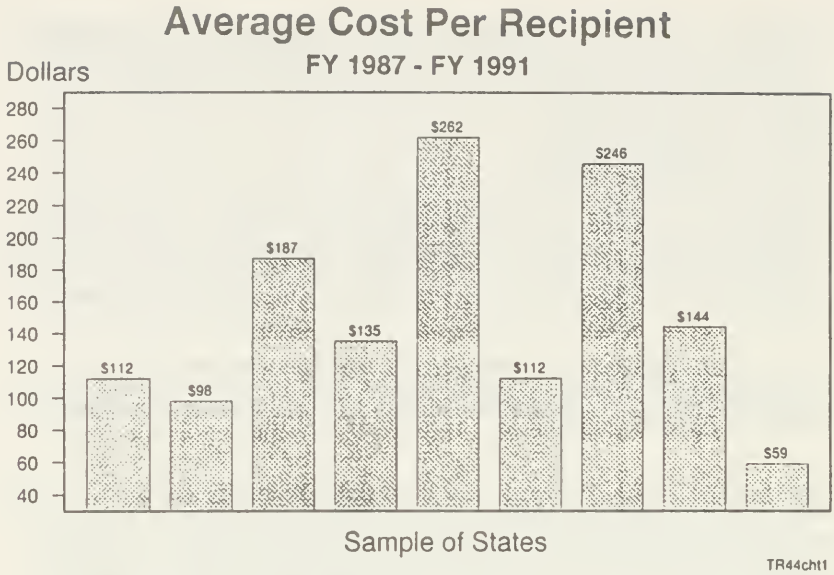
It is difficult to estimate future expenses under both current and proposed options. In attempting to project what future costs will be and how much each option will cost or save, we found that the use of slightly different baselines or slightly different assumptions can produce quite different results in the long run.

We also feel it is important to remind readers that we looked at three major programs as part on one interrelated system. One might get quite different results if the programs were examined one at a time. For example, the growth rate for AFDC has, in recent years, been much smaller than the growth rate in Medicaid. Furthermore, all the specialized matching rates have been removed from it, whereas they remain in Medicaid and Food Stamps. These considerations could affect estimates of expenditures and savings if reforms were limited to just AFDC. At the same time, it must be recognized that these three programs are a part of a larger Statewide cost allocation system that needs revision.

Conclusion

In whatever form welfare takes in the future, it is important to consider the administrative costs. There is no analytically "correct" way to determine how much support the Federal Government should provide to the States for administering welfare programs or what kinds of activities should be funded. These are choices that policy makers are free to make at their discretion, subject to financial and other policy limitations. However, once the issues of adequacy and appropriateness have been addressed, a method must be chosen to distribute Federal funds to the States in a cost efficient way. We believe that a mechanism that stresses predictability and cost control and which minimizes burdensome oversight should be the goal.

Thank you for giving me the opportunity to share our work with you. I would be happy to answer any questions.



WELFARE ADMINISTRATIVE COSTS

CRITERIA

Adequacy; Flexibility and reduced burden; Cost control; Reduced disparity; and Predictability.

WELFARE ADMINISTRATIVE COSTS

OPTIONS

Uniform match rate; Block grant; Standardized cost per recipient; Cap; and Fixed percent of program costs.

Senator HARKIN. Mr. Grob, you say that the projected administrative costs for the next 5 years—in other words, you took what has happened in the past, you projected ahead, and you made a baseline sort of administrative costs. And you said that on average for the baseline of fiscal years 1987 through 1992, administrative costs increased by about 10 percent for all States on an annual basis.

Mr. GROB. That is correct.

Senator HARKIN. Let me read this next sentence from your statement:

> We project that the total Federal share of administrative costs will be $10.4 billion by fiscal year 1999 if the current system remains unchanged. This would be a 96 percent increase from the fiscal year 1992 amount of $5.3 billion.

Mr. GROB. That is correct.

Senator HARKIN. If the system remains unchanged.

Mr. GROB. Yes.

Senator HARKIN. You referred to this as an open-ended, cost reimbursed system with a haphazard and unpredictable way that administrative costs have grown.

Let me also quote from your statement here. You say that:

> There is really no correlation that you could find between the administrative costs and the amount of money being spent—the amount of money being spent on administration and the number of recipients.

Mr. GROB. Yes; that is correct.

Senator HARKIN. In some cases the number of recipients went up and administrative costs went up.

Mr. GROB. That is correct.

Senator HARKIN. In other cases clients went up and administrative costs went down, and vice versa.

Mr. GROB. Yes, sir.

Senator HARKIN. It was all over the ball park.

Mr. GROB. Exactly.

Senator HARKIN. Well, then what really accounts for this huge increase, then?

Mr. GROB. Senator, one of the problems is that we really do not know that.

Senator HARKIN. What?

Mr. GROB. One of the problems is that we really don't know the answer to that question because the way we pay for administrative costs is basically a matter of reimbursing States for the costs which they incur and report to us. But we do not get detailed reports on the expenditure for these costs other than the usual categories—so much for salaries, so much for case workers, et cetera.

Basically, what we have is what you just described a moment ago. It is the classic kind of reimbursement system that makes people in the inspector general's office nervous, which is that it is open-ended; it is based on a report that someone has spent some money; and we see the wide variations in the unit costs from State to State.

That kind of reimbursement system is not one that enables you to tell what are you spending your money on, what are you getting out of it. It does not even address the question, What do you want to get out of it? What would you like to happen?

Senator HARKIN. Well, again, one of the reasons why Senator Bond and I are so interested in this—we are on this committee, we are on this Appropriations Committee, and this money comes through the subcommittee. And, quite frankly, with budget caps for the next 5 years that we are operating under if someone comes and says, we are going to have increased administrative costs of 96 percent we get a little alarmed at that.

Mr. GROB. Yes, sir.

Senator HARKIN. And so one of the reasons I think that we both, and I will let Senator Bond speak for himself, but we are so interested in this is that we see this open-ended thing where we are just sending out the money and we do not see much results happen out there. And I am just alarmed, quite frankly, that the inspector general's office, with all of the expertise that you have and the accountants and everything else, that you cannot really explain it either. It just begs then for some change in the system.

Mr. GROB. I would make a few remarks on that. We looked at these costs for these three programs as part of a broader examination that we have been conducting which looks at all the Federal reimbursements for State and local administrative costs, and it really needs to be seen as part of that picture. There are about $20 billion a year of expenditures that are now made for administrative costs across the board.

The method that we use to reimburse the States is quite complicated and basically consists of a couple of things. One of them is a payment for any direct costs that the States might report. The salaries of eligibility workers would be an example for the various programs. And also payments for costs that are allocated from common expenses at the State level and local level on down.

There is an extremely complicated cost allocation system which really has become so complicated that I believe it is safe to say people really do not know from a policy perspective what is happening. The rules are very complicated, and it is difficult if not impractical to audit that.

In fact, our guess is that you would not want us to. That is, you would not want us to spend the money that it would take to do the auditing. Our view is that we ought to simplify the system.

Now, there are a couple of complications, and I need to alert you to them. The savings that could be achieved from simplifying the system are probably only achievable if the whole system is reformed. As long as there are some parts of it that are not, then those become the targets for the uncontrolled growth. So, one needs to get a handle on the whole thing or on at least as big a hunk of it as you possibly can.

I need to caution you a little about our estimates. Most of our estimating work was done about 1½ years ago. Now, in the last 2 or 3 years the number of welfare recipients has increased very dramatically, very unusually from any kind of historical trend that we want to look at.

For that reason, the States basically used their resources to pay for the benefits for the welfare recipients and did not recently increase the amounts they were spending on administrative costs at a pace that was comparable in the past. So, some of the savings that we see can be achieved are going to depend somewhat on the

number of people on welfare going down. I think when that begins to happen, those savings will be even more possible.

A third thing I would like to point out is that in our various Federal programs, many of the things I have heard discussed today in terms of services for the recipients to help them get off of welfare would be what could be called administrative costs depending upon how the system is established.

There is an example in the area of foster care. Years ago, we saw explosive growth of foster care administrative costs because case management, child placement services, examinations of the case records and court records—things that went to the very point of trying to keep children off of foster care or to determine if foster care was the best place for them—became categorized as administrative costs. But since the system was open-ended, since it was cost reimbursement system, the Federal Government paid what the States submitted for that program.

Many people would say it is a good thing that the States were spending money on those services because they were beneficial for children. Many people might even argue that most of the costs should be for those case management services and for those children.

But the Federal Government was not in the position, because of the reimbursement system, to determine how it would like the States to spend the Federal share of the money for the children. We were basically being reactive.

So, those States that spent a lot for that got a lot. Those States that did not spend a lot did not get very much. What evolved then was a pattern of taking care of the children where the Federal Government has been and still is responding to the initiatives of the individual States.

Believe me, policymakers have very strong opinions about the subject. Some think that is a very good way to do business. Other people might think that is not such a good way to do business. I feel the same thing might happen in welfare reform. That is why I ended my remarks by saying that how much we want to spend on those things, and what we want to spend them on is basically a policy choice.

Once we make that choice, we ought to find a mechanism that will enable us to give the money to the States so they will be able to do those things with it, and also so we will be able to know what is being done and assess how effective and efficient it is. I am sorry to be long-winded.

Senator HARKIN. No; but you touch a responsive cord because this subcommittee a few years ago got into this whole area for reimbursement of foster care, again because it comes through this subcommittee. And what we discovered was that indeed we were reimbursing States, but States were defining what the administrative costs were.

Mr. GROB. Exactly.

Senator HARKIN. And it is amazing what all of those administrative costs were. And I think some States found a way of saying, here is an open conduit to the Federal Government. Let us lump in a bunch of different administrative costs that may have to do

with other things. We will lump it under foster care, and the reimbursement rate was going through the ceiling.

So, you touched on a very responsive cord. We looked into that with this subcommittee, as I say, just a few years ago.

Mr. GROB. Again, I think that policymakers can rightfully disagree among themselves whether those were good things to spend money on or not, but we ended up spending about $1 billion a year for these administrative costs of foster care where, a few years before, we were spending perhaps one-quarter of a billion dollars or one-half a billion dollars, depending on where you want to define the starting point of this.

Ideally, the Congress would have said, we have $1 billion that we would like to spend to take care of these children. How would we like to spend it? But that is not how the question was posed. Instead, the States said, Please send me $1 billion.

Senator HARKIN. Senator Bond?

Senator BOND. Thank you, Mr. Chairman. Mr. Grob, I spent a brief period as an auditor, and I can remember well when you do have any standards set out in statute or by policy, it is kind of tough to measure whether people are complying with the nonexistent standards.

You have mentioned a number of reasons that there is such a wide variety. Are there any endemic, legitimate reasons? I mean, my colleague from Alaska is no longer here. Would there be travel expenses or something like that in some parts of the country that might reflect a legitimate difference?

Mr. GROB. By talking to people and reflecting and looking at what we could, there are some obvious ones. There are differences in the cost of labor from one State to another State. Labor costs are definitely different. And I think there are local conditions that you mentioned. Travel would be a good example of that.

Also, States have, in fact, undertaken initiatives to improve the way they manage their programs by introducing more sophisticated management information systems, and the costs of those systems are not continuous. You know, there may be a sudden increase because equipment is purchased or programs are developed and things are tried out. So, there is certainly room for starting and stopping.

A good example might well be the testimony we heard today about what is being done in the States that you are looking at—where we have more intensive case management, where the eligibility worker is spending more time with the client—very legitimate initiatives.

In terms of the local differences that may occur, we were struck the same way you were. In fact, in preparing my testimony, we picked certain States to illustrate exactly the point that you made about neighboring States. There are, of course, regional economies; and regional economies have an effect on expenditures.

However, neighboring States in the same region have very different unit costs. So, the regional economies cannot quite account for it.

While these other costs are certainly legitimate, we do not know the extent to which these are causing the differences. We also do

not know whether it would be the intention of Congress to want to pay for those differences.

In other words, if we are trying to promote a particular outcome, do we really need to try to figure out what everyone's costs are and how different they are, and then have the Federal Government try to figure out what we should pay for all those differences.

We do not buy groceries that way. We do not buy cars that way. We do not go to a car dealer or, say, to a grocery store and say, I want a gallon of milk, but; before I pay for it, would you please explain to me how much the feed for the cattle cost and this kind of thing. In the end we pay what we think is a fair amount.

And providers—whatever programs, products or services they have—need then to manage the resources they have. When people have a certain amount of money to manage, they tend to manage it pretty well.

But when we try to say, well, we will cover your costs then we do not necessarily get the best management. Even though you think you might be helping people cover costs, you do not necessarily get the kind of creative management that you would get if people are simply allowed to have a certain amount of money and need to manage it well.

Senator BOND. I think you asked the last question I was going to ask, whether a standardized cost or something like that per recipient would work. Obviously all States would have different ways of managing it. You would know you are getting that much money. The incentive would be to manage it well. Not that it is a prime objective, but the inspector general would not have to go out and try to second guess every payroll expenditure.

And perhaps you might lessen a lot of the redtape going back and forth if you did not ask them to document and then try to follow up on their expenditure objects and just said, you are going to get this pool of money and good luck, God bless you, manage the best you can with it. You do not have any problems with that?

Mr. GROB. I do not have any problems with that.

Senator BOND. Some of my colleagues may but we will carry that battle later.

There are other arguments, I know. But my experience has been that when I was in the National Governors' Association, and we were arguing to cut the redtape and strings from Washington, we made the bold promise that if Washington would cut the redtape and stop telling us how to do the job, they could give us 90 percent of the money they had been giving us to do the job and we would do it better with 90 percent of the money if we got rid of all the dictates, and the requirements, and the regulations from Washington, saving us both time, effort, and money.

So, I still believe in that, while I am sure we will have some fights on the floor while we try to achieve that.

Thank you, Mr. Chairman.

Senator HARKIN. Thank you, Senator Bond. I share that with you. I just have one last question. Do you have any estimate of the costs in terms of staff to the States imposed by the current cost reimbursement system? How many staff are there filling out all the paper work?

Mr. GROB. We really do not have that, but let me try to give you a more generalized answer. I wish I could give you a more specific one, but let me both go more broadly and more narrowly at the same time.

Let me first broaden it to look at the Federal reimbursement of all administrative costs, not just for these three programs, but all Federal programs. Then, let me narrow it to look at the allocable indirect costs. In other words, not the particular workers but the shared common costs in the cost allocations plans. There are over 2,200 such plans in the country today that have to be put together every year.

Although I do not know that this is true for all, a lot of plans take about 5 staff years of effort to put together and to review to make sure they are OK. If you make rough estimates of the cost of doing that, you certainly get into hundreds of millions of dollars a year just for keeping that cost allocation system going.

Now, again, I have to caution that significant savings could only be achieved if the entire system were reformed. I do not think you would get anywhere near as much by simplifying the system just in these three programs alone. It really has to be across the board.

Senator HARKIN. Thank you very much, Mr. Grob. That basically completes our witnesses and testimony this morning.

I will just close on two notes. First of all, I just want to recognize someone who is the audience. John Ellis, who is the audience here, was the founder of a project that we have had in Iowa called the Institute for Social and Economic Development, and which we incorporated into our bill. His organization gets certain welfare recipients, and through a program of training, an intensive program of training, and some up-front help they start their own microenterprise businesses. They start little businesses.

I have visited some of those in Iowa and I have been quite taken with it. And I understand that the success rate, in other words those that they have actually started in business, got off welfare and continued their business have been somewhere in the neighborhood of about 80 percent, if I am not mistaken, 75 percent started. And on the opposite end, 80 percent of all small businesses that start fail within the first 6 months.

So, our bill includes provisions to help create these microenterprises. I know that it is not the only one in the country, but they have been very successful. There are a lot of people who are on welfare who could run small businesses. They have expertise and stuff, give them a little help and they are out there doing it, so we will work on that.

And then last let me again just thank my colleague, Senator Bond, the former Governor of the State of Missouri. I think it is worthy to note that he has had that extensive experience in the State, running a State government, and I am proud and pleased to have him on this bill with me to give me and to give all of us here that kind of input and insight that a former chief executive would have of how the States operate these systems. Certainly Missouri has been on the cutting edge of some of these reform movements in welfare, and so with his experience both on the State level, running a State, and as a legislator here, it gives us a great deal of

expertise to help fashion the kind of bipartisan approach that we need.

So, I want to publicly thank Senator Bond for his input and his guidance on this very important piece of legislation.

Senator BOND. Thank you, Mr. Chairman. I am not sure whether it ought to be described as expertise or prejudice, but I do bring some very strong views from my years in State government. And I just say once again I really appreciate and commend you for your leadership on this measure. This is something that you worked very hard to bring about, drawing on the experience of Iowa.

We are delighted to be able to come along and share what we have learned in Missouri. And obviously what Utah is doing is a very good case study, and I expect that we will find other good ideas from around the country. But there is nothing like going back to the laboratory of the States and finding out what is working.

Thank you very much.

CONCLUSION OF HEARING

Senator HARKIN. Thank you, Senator Bond. The subcommittee will stand in recess subject to the call of the Chair.

[Whereupon, at 11:40 a.m., Monday, April 11, the hearing was concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

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